

WILLISTON PUBLIC SCHOOL DISTRICT #1

**FINANCIAL STATEMENTS
JUNE 30, 2016**

WITH INDEPENDENT AUDITOR'S REPORT

WILLISTON PUBLIC SCHOOL DISTRICT #1

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>Page(s)</u>
School Officials	1
Independent Auditor's Report	2 - 4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	5 - 6
Statement of Activities	7
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds	10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	11
Statement of Fiduciary Assets and Liabilities	12
Notes to Financial Statements	13 - 34
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer's Share of Net Pension Liability	35
Schedule of Employer Contributions	36
Budgetary Comparison Schedule - General Fund	37
Notes to Required Supplementary Information	38

WILLISTON PUBLIC SCHOOL DISTRICT #1

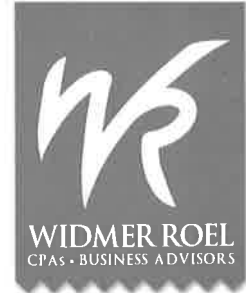
**SCHOOL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2016**

Current

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

June 30, 2016

Dave Richter	Board President
Kimberly Semenko	Board Vice President
Sara Kasmer	Board Member
Brett Vibeto	Board Member
Brion Norby	Board Member
Dr. Viola Lafontaine	Superintendent
Pamela Lambert	Assistant Superintendent of Business Services



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Williston Public School District #1** (School District), Williston, North Dakota as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Williston Public School District #1**, Williston, North Dakota, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2016, the District restated net position on the statement of activities and restated fund balance on the statement of revenues, expenditures and changes in fund balance to correct an error in the previously issued financial statements (See Note 13). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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 this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Williston Public School District #1's** basic 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

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 our report dated July 11, 2018, on our consideration of the **Williston Public School District #1's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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.

Widmer Rod PC

Fargo, North Dakota
July 11, 2018

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 31,564,052
Taxes receivable	879,700
Intergovernmental receivable	4,376,985
Due from County Treasurer	708,025
Inventory	6,317
Capital assets, not being depreciated	
Land	3,078,290
Construction in process	58,672,104
Capital assets, net of accumulated depreciation	
Buildings	16,267,950
Modular leasehold improvements	1,344,875
Furniture and equipment	2,099,815
Vehicles	704,461
Site improvements	<u>1,231,034</u>
Total assets	120,933,608
DEFERRED OUTFLOWS OF RESOURCES	
Pension plans	<u>10,088,800</u>
Total assets and deferred outflows of resources	\$ <u><u>131,022,408</u></u>
LIABILITIES	
Accounts payable	\$ 7,377,574
Salaries and benefits payable	3,856,006
Litigation payable	207,823
Due to other governments	34,262
Interest payable	570,820
Unearned revenue	42,992
Long-term liabilities	
Portion due or payable within one year	
Compensated absences payable	155,168
Capital lease payable	556,329
Loans payable	194,493
Bond payable	2,087,815
Portion due or payable after one year	
Compensated absences	474,117
Capital lease payable	527,766
Bond payable	55,460,272
Bond premium	361,085
Net pension liability	<u>37,961,616</u>
Total liabilities	109,868,138

WILLISTON PUBLIC SCHOOL DISTRICT #1

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
DEFERRED INFLOWS OF RESOURCES	
Pension plans	<u>671,878</u>
NET POSITION	
Net investment in capital assets	24,571,854
Restricted for	
Debt services	2,083,001
Special reserve	923,761
Capital projects	12,700,171
Unrestricted	<u>(19,796,395)</u>
Total net position	<u>20,482,392</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 131,022,408</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 27,415,865	\$ 417,540	\$ 2,661,024	\$ (24,337,301)
Federal programs	1,789,312	155,349	1,808,659	174,696
Special education	3,003,753	-	1,488,756	(1,514,997)
Vocational education	750,087	-	74,773	(675,314)
District wide services	2,283,177	-	-	(2,283,177)
Administration	1,707,216	-	-	(1,707,216)
Operations and maintenance	2,942,580	-	-	(2,942,580)
Food service	2,048,421	1,089,636	619,248	(339,537)
Transportation	861,558	-	-	(861,558)
Student activities	927,567	71,534	-	(856,033)
Community services	157,087	-	-	(157,087)
Interest expense and fees	873,853	-	-	(873,853)
	<u>\$ 44,760,476</u>	<u>\$ 1,734,059</u>	<u>\$ 6,652,460</u>	<u>(36,373,957)</u>
Total governmental activities				

GENERAL REVENUES

Property taxes; levied for general purposes	11,991,581
In lieu of taxes	92,413
Sales tax levy	1,344,010
Oil and gas tax	8,250,456
State aid not restricted to specific program	23,838,440
Earnings on investments	31,867
Loss on sale of assets	370
Miscellaneous revenues	240,197
	<u>45,789,334</u>
Total general revenues	
	45,789,334
Change in net position	9,415,377
Net position - July 1	11,551,379
Prior period adjustment (Note 13)	(484,364)
Net position - July 1, as restated	<u>11,067,015</u>
Net position - June 30	<u>\$ 20,482,392</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
ASSETS			
Cash and cash equivalents	\$ 8,899,161	\$ 19,969,402	\$ 1,793,062
Taxes receivable	624,948	88,288	139,950
Intergovernmental receivable	4,186,030	-	180,617
Due from County Treasurer	506,283	71,086	109,322
Inventory	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 14,216,422</u>	 <u>\$ 20,128,776</u>	 <u>\$ 2,222,951</u>
LIABILITIES			
Accounts payable	\$ 37,257	\$ 7,340,317	\$ -
Salaries and benefits payable	3,758,189	-	-
Litigation payable	207,823	-	-
Due to other governments	-	-	-
Unearned revenue - food service	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 <u>4,003,269</u>	 <u>7,340,317</u>	 <u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue -			
Tuition for local education agency	108,229	-	-
Property taxes	<u>624,948</u>	<u>88,288</u>	<u>139,950</u>
 Total deferred inflows of resources	 <u>733,177</u>	 <u>88,288</u>	 <u>139,950</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted for			
Debt services	-	-	2,083,001
Special reserve	-	-	-
Capital outlay	-	12,700,171	-
Assigned for			
Food service	-	-	-
Unassigned	<u>9,479,976</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>9,479,976</u>	 <u>12,700,171</u>	 <u>2,083,001</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 14,216,422</u>	 <u>\$ 20,128,776</u>	 <u>\$ 2,222,951</u>

<u>Food Service Fund</u>	<u>Special Reserve Funds</u>	<u>Total Government Funds</u>
\$ -	\$ 902,427	\$ 31,564,052
-	26,514	879,700
10,338	-	4,376,985
-	21,334	708,025
<u>6,317</u>	<u>-</u>	<u>6,317</u>
<u>\$ 16,655</u>	<u>\$ 950,275</u>	<u>\$ 37,535,079</u>
\$ -	\$ -	\$ 7,377,574
97,817	-	3,856,006
-	-	207,823
34,262	-	34,262
<u>42,992</u>	<u>-</u>	<u>42,992</u>
<u>175,071</u>	<u>-</u>	<u>11,518,657</u>
-	-	108,229
<u>-</u>	<u>26,514</u>	<u>879,700</u>
-	26,514	987,929
6,317	-	6,317
-	-	2,083,001
-	923,761	923,761
-	-	12,700,171
(164,733)	-	(164,733)
<u>-</u>	<u>-</u>	<u>9,479,976</u>
<u>(158,416)</u>	<u>923,761</u>	<u>25,028,493</u>
<u>\$ 16,655</u>	<u>\$ 950,275</u>	<u>\$ 37,535,079</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances for governmental funds	\$ 25,028,493
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	83,398,529
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	(570,820)
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	987,929
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds	(629,285)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	9,416,922
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	(37,961,616)
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>(59,187,760)</u>
Total net position of governmental activities	\$ <u>20,482,392</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>
REVENUES			
Local sources	\$ 17,990,256	\$ 1,255,024	\$ 2,017,341
State sources	25,502,977	2,651,124	-
Federal sources	1,729,878	-	-
Other sources	31,116	86,501	1,107
	<u>45,254,227</u>	<u>3,992,649</u>	<u>2,018,448</u>
Total revenues			
EXPENDITURES			
Regular instruction	26,170,544	-	-
Federal programs	1,788,722	-	-
Special education	2,907,530	-	-
Vocational education	725,209	-	-
District wide services	2,342,710	-	-
Administration	1,666,693	-	-
Operations and maintenance	2,919,786	654,677	-
Food service	-	-	-
Transportation	593,825	-	-
Student activities	895,851	-	-
Community services	157,494	-	-
Capital outlay	186,115	47,857,568	-
Debt service			
Principal	-	568,531	770,289
Interest and fees	-	78,538	558,685
	<u>40,354,479</u>	<u>49,159,314</u>	<u>1,328,974</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>4,899,748</u>	<u>(45,166,665)</u>	<u>689,474</u>
OTHER FINANCING SOURCES			
Transfer in	-	-	-
Transfer out	(90,045)	-	-
Bond proceeds	-	42,228,376	-
Premium on issuance of bonds	-	221,435	-
	<u>(90,045)</u>	<u>42,449,811</u>	<u>-</u>
Total financing sources			
Net change in fund balances	<u>4,809,703</u>	<u>(2,716,854)</u>	<u>689,474</u>
FUND BALANCES - JULY 1	4,712,172	15,417,025	1,393,527
Prior period adjustment (Note 13)	<u>(41,899)</u>	<u>-</u>	<u>-</u>
Fund balances - July 1, as restated	<u>4,670,273</u>	<u>15,417,025</u>	<u>1,393,527</u>
FUND BALANCES - JUNE 30	\$ <u>9,479,976</u>	\$ <u>12,700,171</u>	\$ <u>2,083,001</u>

<u>Food Service Fund</u>	<u>Special Reserve Funds</u>	<u>Total Government Funds</u>
\$ -	\$ 376,630	\$ 21,639,251
1,089,636	-	29,243,737
602,323	-	2,332,201
16,925	385	136,034
<u>1,708,884</u>	<u>377,015</u>	<u>53,351,223</u>
-	-	26,170,544
-	-	1,788,722
-	-	2,907,530
-	-	725,209
-	-	2,342,710
-	-	1,666,693
-	-	3,574,463
2,011,006	-	2,011,006
-	-	593,825
-	-	895,851
-	-	157,494
-	-	48,043,683
-	-	1,338,820
-	-	637,223
<u>2,011,006</u>	<u>-</u>	<u>92,853,773</u>
<u>(302,122)</u>	<u>377,015</u>	<u>(39,502,550)</u>
90,045	-	90,045
-	-	(90,045)
-	-	42,228,376
-	-	221,435
<u>90,045</u>	<u>-</u>	<u>42,449,811</u>
<u>(212,077)</u>	<u>377,015</u>	<u>2,947,261</u>
96,577	546,746	22,166,047
<u>(42,916)</u>	<u>-</u>	<u>(84,815)</u>
<u>53,661</u>	<u>546,746</u>	<u>22,081,232</u>
\$ <u>(158,416)</u>	\$ <u>923,761</u>	\$ <u>25,028,493</u>

See Notes to Financial Statements

WILLISTON PUBLIC SCHOOL DISTRICT #1

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds		\$ 2,947,261
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Current year capital outlay	48,569,959	
Depreciation expense	<u>(1,216,628)</u>	
		47,353,331
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,338,820
Governmental funds report the effect of premiums on refundings when debt is first issued, whereas this amount is deferred and amortized in the statement of activities.		49,194
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.		(42,449,811)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net decrease in compensated absences	15,236	
Net increase in interest payable	<u>(420,711)</u>	
		(405,475)
In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the government funds, however, the contributions are reported as expense.		(242,570)
Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable along with tuition for local education agencies.		<u>824,627</u>
Change in net position of governmental activities		\$ <u><u>9,415,377</u></u>

WILLISTON PUBLIC SCHOOL DISTRICT #1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u>614,767</u>
LIABILITIES	
Due to others	\$ 364,769
Due to primary government	<u>249,998</u>
Total liabilities	\$ <u>614,767</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Measurement Focus and Basis of Accounting

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

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

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

The School District reports the following major governmental funds:

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

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

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

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

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

The School District reports the following fund type:

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Cash and Cash Equivalent

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

Capital Assets

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

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

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

Compensated Absences

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

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

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has 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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

Restricted and Unrestricted Resources

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

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

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

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

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

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

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

The School District uses *restricted/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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

dollar for dollar spending. Additionally, the School District would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

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

Program Revenues

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

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

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

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

Accounts Payable

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

Salaries and Benefits Payable

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

Pensions

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

bonded. In lieu of a bond, a financial institution may provide a pledge of securities of 110% of the deposits not covered by insurance or bonds.

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

At year ended June 30, 2016, the District's carrying amount of deposits was \$32,178,819 and the bank balances were \$38,577,411. Of the bank balance, \$1,000,000 was covered by Federal Depository Insurance. The remaining balance of \$37,577,411 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

Credit Risk

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

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

At June 30, 2016 the District held certificates of deposit in the amount of \$12,308,889 which are all considered deposits and included in the above amount of total deposits.

Concentration of Credit Risk

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

NOTE 3 – TAXES RECEIVABLE

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

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

NOTE 4 – INTERGOVERNMENTAL RECEIVABLE

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

NOTE 5 – DUE FROM COUNTY TREASURER

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

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer/ Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 3,078,290	\$ -	\$ -	\$ -	\$ 3,078,290
Construction in process	<u>10,828,037</u>	<u>47,844,067</u>	<u>-</u>	<u>-</u>	<u>58,672,104</u>
Total capital assets not being depreciated	<u>13,906,327</u>	<u>47,844,067</u>	<u>-</u>	<u>-</u>	<u>61,750,394</u>
Capital assets, being depreciated					
Land and building improvements	3,461,099	66,302	-	-	3,527,401
Modular leasehold improvements	4,025,848	-	-	(2,355,848)	1,670,000
Buildings	23,913,419	-	-	2,355,848	26,269,267
Vehicles	1,872,106	29,000	-	-	1,901,106
Furniture and equipment	<u>3,312,763</u>	<u>630,590</u>	<u>-</u>	<u>-</u>	<u>3,943,353</u>
Total capital assets, being depreciated	<u>36,585,235</u>	<u>725,892</u>	<u>-</u>	<u>-</u>	<u>37,311,127</u>
Less accumulated depreciation for					
Land and building improvements	2,183,427	112,940	-	-	2,296,367
Modular leasehold improvements	2,355,848	83,500	-	(2,114,223)	325,125
Buildings	9,558,440	563,689	-	(120,812)	10,001,317
Vehicles	1,071,832	124,813	-	-	1,196,645
Equipment	<u>1,511,852</u>	<u>331,686</u>	<u>-</u>	<u>-</u>	<u>1,843,538</u>
Total accumulated depreciation	<u>16,681,399</u>	<u>1,216,628</u>	<u>-</u>	<u>(2,235,035)</u>	<u>15,662,992</u>
Total capital assets, being depreciated, net	<u>19,903,836</u>	<u>(490,736)</u>	<u>-</u>	<u>2,235,035</u>	<u>21,648,135</u>
Governmental activities capital assets, net	\$ <u>33,810,163</u>	\$ <u>47,353,331</u>	\$ <u>-</u>	\$ <u>2,235,035</u>	\$ <u>83,398,529</u>

(Continued)

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Regular instruction	\$ 694,758
Vocational education	85,669
District wide services	22,634
Administration	55,432
Operations and maintenance	48,785
Food service	100,753
Transportation	58,940
Student activities	24,844
Vehicles	<u>124,813</u>
	\$ <u>1,216,628</u>

NOTE 7 – SALARIES AND BENEFITS PAYABLE

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

NOTE 8 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in liabilities reported in the long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Building Bonds	\$ 16,090,000	\$ 30,000,000	\$ 770,289	\$ 45,319,711	\$ 930,492
Bond Premium	188,844	221,435	49,194	361,085	-
State Aid Bonds	-	12,228,376	-	12,228,376	1,157,323
Faculty Apartment Loan	225,940	-	31,447	194,493	194,493
Modulars Capital Lease	1,621,179	-	537,084	1,084,095	556,329
Compensated Absences	644,521	24,137	39,373	629,285	155,168
Net Pension Liability	<u>27,707,816</u>	<u>10,253,800</u>	<u>-</u>	<u>37,961,616</u>	<u>-</u>
Total	\$ <u>46,478,300</u>	\$ <u>52,727,748</u>	\$ <u>1,427,387</u>	\$ <u>97,778,661</u>	\$ <u>2,993,805</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, 2016 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% \$ 194,493

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Debt service requirements on the faculty apartment loan, including interest, at June 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 194,493	\$ 3,959	\$ 198,452

Capital Lease

\$1,670,000 Capital Lease payable for the use of 4 modular buildings, due in monthly installments of \$48,821 through May 25, 2018; interest at 2.87%. \$ 1,084,095

Debt service requirements on the capital lease, including interest, at June 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 556,329	\$ 29,413	\$ 585,742
2018	527,766	9,369	-
	\$ <u>1,084,095</u>	\$ <u>38,782</u>	\$ <u>585,742</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 0.75% to 3.10%. \$ 1,900,000

\$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

\$20,000,000 General Obligation School Building Bonds, Series 2015B, due in annual installments of \$500,000 to \$770,000 maturing on October 1, 2034; interest at 5%. 19,419,711

\$3,965,000 General Obligation School Building Bond, Series 2015C, due in annual installments of \$120,000 to \$255,000 through August 1, 2035; interest at 2% to 3%. 3,965,000

\$6,035,000 General Obligation School Building Bonds, Series 2016A, due in annual installments of \$190,000 to \$415,000 through August 1, 2035; interest at 2% to 3%. 6,035,000

Total general obligation bonds \$ 45,319,711

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Debt service requirements on the general obligation bonds, including interest, at June 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 930,492	\$ 1,713,656	\$ 2,644,148
2018	1,345,932	1,594,714	2,940,646
2019	1,434,429	1,604,914	3,039,343
2020	1,563,319	1,551,113	3,114,432
2021	1,713,924	1,493,413	3,207,337
2022-2026	23,551,615	5,917,685	29,469,300
2027-2031	8,030,000	1,701,487	9,731,487
2032-3036	<u>6,750,000</u>	<u>427,650</u>	<u>7,177,650</u>
	\$ <u>45,319,711</u>	\$ <u>16,004,632</u>	\$ <u>61,324,343</u>

State Aid Bonds

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

\$ 12,228,376

Debt service requirements on the state aid bonds, including interest, at June 30, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,157,323	\$ 311,445	\$ 1,468,768
2018	1,404,856	441,323	1,846,179
2019	1,443,604	402,575	1,846,179
2020	1,483,421	362,758	1,846,179
2021	1,524,336	321,843	1,846,179
2022-2026	8,276,013	954,885	9,230,898
2027-2028	<u>2,710,447</u>	<u>58,823</u>	<u>2,769,270</u>
	\$ <u>18,000,000</u>	\$ <u>2,853,652</u>	\$ <u>20,853,652</u>

At June 30, 2016, the District has \$5,771,624 of total authorized but unissued state aid bonds. The remaining authorized balance was issued when the construction for the new high school was completed.

NOTE 9 – PENSION PLANS

General Information about the TFFR Pension Plan

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

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

At June 30, 2016, the District reported a liability of \$34,969,066 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2015, the District's proportion was 2.673772 percent, which was an increase of .280201 from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,783,620. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 229,151	\$ -
Changes of assumptions	3,926,426	-
Net difference between projected and actual earnings on pension plan investments	-	394,327
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,783,227	-
Employer contributions subsequent to the measurement date	<u>2,344,513</u>	<u>-</u>
	\$ <u>9,283,317</u>	\$ <u>394,327</u>

\$2,344,513 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, 2016.

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

2017	\$ 864,916
2018	864,916
2019	864,916
2020	1,660,597
2021	1,162,418
Thereafter	1,126,714

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2015, 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>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	57%	7.53%
Global fixed income	22%	1.28%
Global real assets	20%	5.38%
Cash equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of net pension liability	\$ <u>46,213,274</u>	\$ <u>34,969,066</u>	\$ <u>25,591,633</u>

Pension Plan Fiduciary Net Position

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

General Information about the NDPERS Pension Plan

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

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

At June 30, 2016, the Employer reported a liability of \$2,992,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 the covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was 0.440092 percent, which was an increase of 0.026141 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Employer recognized pension expense of \$323,567. At June 30, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 86,818
Changes of assumptions	266,622	-
Net difference between projected and actual earnings on pension plan investments	63,172	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	190,733
Employer contributions subsequent to the measurement date	<u>475,689</u>	<u>-</u>
	\$ <u>805,483</u>	\$ <u>277,551</u>

\$475,689 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, 2016.

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

2017	\$ (42,725)
2018	(42,725)
2019	(42,725)
2020	87,813
2021	(11,881)
Thereafter	-

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	31%	6.90%
International equity	21%	7.55%
Private equity	5%	11.30%
Domestic fixed income	17%	1.52%
International fixed income	5%	0.45%
Global real assets	20%	5.38%
Cash equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. 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, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2015. 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, 2015.

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 Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Employer's proportionate share of net pension liability	\$ <u>4,588,926</u>	\$ <u>2,992,550</u>	\$ <u>1,686,426</u>

Pension Plan Fiduciary Net Position

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

NOTE 10 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$85,051 for public asset coverage.

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

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of June 30, 2016, the School District had commitments totaling \$66,791,054 for the construction of their new high school. As of June 30, 2016, the School District had paid \$43,965,179 with remaining commitments of \$22,795,875.

NOTE 12 – 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 and the North Dakota Supreme Court reversed the decision 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. The parties then stipulated 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. The total wages paid out in July 2016 were recorded as a litigation liability for the year ended June 30, 2016 along with the applicable NDTFFR contributions of \$34,903.

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 an individual was terminated from employment as a substitute teacher based on their 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, the school was 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 (OCR).

By letter dated May 26, 2017, OCR informed the School that parents brought a complaint with the OCR, alleging the School discriminated against their child, a former student, on the basis of sex and race when during the 2016-17 school year, students subjected the child to a hostile environment and the School was aware of the hostile environment but 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 their 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.

WILLISTON PUBLIC SCHOOL DISTRICT #1

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Foreman v. Williston Public School #1.

In September 2017, a charge of discrimination was filed with the North Dakota Department of Labor and Human Rights. The complainant alleges a teacher was not offered certain positions with the School and that they were terminated from their substitute teaching position based on their disability and religion. They further allege they were denied a reasonable accommodation in order to meet with administration after they were no longer employed. The School responded on October 19, 2017, and the matter was placed in a pending status given the Department's caseload. Claims are being vigorously contested. The School's insurer is covering the School's attorney's fees in defending this matter.

Victoria Arneson & Williston Education Association (WEA) Grievance

On September 28, 2017, Victoria Arneson and the WEA submitted a grievance pursuant to the District's Grievance Procedure. It alleges the teacher should receive the salary outlined in her original teaching contract, instead of the amended contract the School provided to her following teacher negotiations. All steps of the grievance procedure were gone through, which ended with the Board's decision on November 27, 2017 to deny the grievance as untimely. Members of the WEA at the board meeting indicated a possibility they would pursue further action. In the event a civil action is brought, it has the possibility of affecting all teacher salaries in the School for the 2017-18 school year.

On June 14, 2018, the WEA and eleven teachers affected entered into a Settlement Agreement and Release of Claims, where the District agreed to pay the eleven teachers the amount listed in their original teaching contract, totaling \$16,415.25. The District is responsible for the attorneys' fees and the settlement amount which was subject to state and federal income taxes, FICA, and Teachers Fund for Retirement (TFFR).

Alleged Violation of Open Meetings Law

On May 30, 2018, the District received a letter from the North Dakota Attorney General's office, requesting information relating to a May 21, 2018 meeting. A teacher and WEA President, requested the Attorney General's office to issue an opinion regarding an alleged open meetings law violation. The District responded to the Assistant Attorney General's questions on June 21, 2018. Follow-up questions and responses have occurred since. When the Attorney General's office's review is completed, an opinion may be issued to the District indicating whether a violation occurred. If a violation is found, the District has seven days to correct the violation or could face mandatory attorney's fees and costs. Claims are being vigorously contested. The District is responsible for the attorney's fees.

WILLISTON PUBLIC SCHOOL DISTRICT #1

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The District restated its beginning net position in the governmental activities and fund balances in the General and Food Service funds.

	<u>Governmental Activities</u>																
Beginning of year net position, as previously reported, June 30, 2015	\$	11,551,379															
Payroll accruals recorded for the year ended June 30, 2015		(50,553)															
Depreciation related to leasehold improvements during the year ended June 30, 2015		2,235,035															
Deferred outflows of resources related to contributions made during the year ended June 30, 2016		(2,634,584)															
Due to other governments related to retirement contributions made during the year ended June 30, 2015		<u>(34,262)</u>															
Beginning of year net position, as restated, June 30, 2015	\$	<u>11,067,015</u>															
	<table border="0"> <thead> <tr> <th></th> <th align="right"><u>General Fund</u></th> <th align="right"><u>Food Service Fund</u></th> </tr> </thead> <tbody> <tr> <td>Beginning of year fund balance, as previously reported, June 30, 2015</td> <td align="right">\$ 4,712,172</td> <td align="right">\$ 96,577</td> </tr> <tr> <td>Payroll accruals recorded for the year ended June 30, 2015</td> <td align="right">(41,899)</td> <td align="right">(8,654)</td> </tr> <tr> <td>Due to other governments related to retirement contributions made during the year ended June 30, 2015</td> <td align="right"><u>-</u></td> <td align="right"><u>(34,262)</u></td> </tr> <tr> <td>Beginning of year fund balance, as restated, June 30, 2015</td> <td align="right">\$ <u>4,670,273</u></td> <td align="right">\$ <u>53,661</u></td> </tr> </tbody> </table>			<u>General Fund</u>	<u>Food Service Fund</u>	Beginning of year fund balance, as previously reported, June 30, 2015	\$ 4,712,172	\$ 96,577	Payroll accruals recorded for the year ended June 30, 2015	(41,899)	(8,654)	Due to other governments related to retirement contributions made during the year ended June 30, 2015	<u>-</u>	<u>(34,262)</u>	Beginning of year fund balance, as restated, June 30, 2015	\$ <u>4,670,273</u>	\$ <u>53,661</u>
	<u>General Fund</u>	<u>Food Service Fund</u>															
Beginning of year fund balance, as previously reported, June 30, 2015	\$ 4,712,172	\$ 96,577															
Payroll accruals recorded for the year ended June 30, 2015	(41,899)	(8,654)															
Due to other governments related to retirement contributions made during the year ended June 30, 2015	<u>-</u>	<u>(34,262)</u>															
Beginning of year fund balance, as restated, June 30, 2015	\$ <u>4,670,273</u>	\$ <u>53,661</u>															

**WILLISTON PUBLIC
SCHOOL DISTRICT #1**

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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

	As of measurement date of	
	June 30, 2015	June 30, 2014
North Dakota Teacher's Fund for Retirement		
Employer's proportion of the net pension liability	2.673772%	2.393571%
Employer's proportionate share of the net pension liability	\$ 34,969,066	\$ 25,080,381
Employer's covered-employee payroll	\$ 16,446,502	\$ 13,883,985
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	62.1%	99.0%
North Dakota Public Employees Retirement System		
Employer's proportion of the net pension liability	0.440092%	0.413951%
Employer's proportionate share of the net pension liability	\$ 2,992,550	\$ 2,627,435
Employer's covered-employee payroll	\$ 3,920,682	\$ 3,487,039
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	93.00%

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

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

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

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

WILLISTON PUBLIC SCHOOL DISTRICT #1
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources	\$ 17,446,720	\$ 17,642,795	\$ 17,990,256	\$ 347,461
State sources	24,681,491	24,681,491	25,502,977	821,486
Federal sources	1,223,099	1,848,066	1,729,878	(118,188)
Other sources	<u>21,000</u>	<u>21,000</u>	<u>31,116</u>	<u>10,116</u>
Total revenues	<u>43,372,310</u>	<u>44,193,352</u>	<u>45,254,227</u>	<u>1,060,875</u>
EXPENDITURES				
Current				
Regular instruction	25,849,887	25,851,677	26,170,544	318,867
Federal programs	1,998,600	2,005,539	1,788,722	(216,817)
Special education	3,101,454	3,101,454	2,907,530	(193,924)
Vocational education	891,011	891,011	725,209	(165,802)
District wide services	2,406,966	2,412,166	2,342,710	(69,456)
Administration	1,623,366	1,748,366	1,666,693	(81,673)
Operations and maintenance	1,566,789	3,237,336	2,919,786	(317,550)
Transportation	526,987	526,987	593,825	66,838
Student activities	827,222	827,222	895,851	68,629
Community services	133,652	143,538	157,494	13,956
Capital outlay	<u>995,088</u>	<u>995,088</u>	<u>186,115</u>	<u>(808,973)</u>
Total expenditures	<u>39,921,022</u>	<u>41,740,384</u>	<u>40,354,479</u>	<u>(1,385,905)</u>
Excess (deficiency) of revenues over expenditures	<u>3,451,288</u>	<u>2,452,968</u>	<u>4,899,748</u>	<u>2,446,780</u>
Other Financing Sources				
Transfers out	-	-	(90,045)	(90,045)
Net change in fund balance	<u>3,451,288</u>	<u>2,452,968</u>	<u>4,809,703</u>	<u>2,356,735</u>
FUND BALANCE, JULY 1	4,712,172	4,712,172	4,712,172	-
Prior period adjustment	<u>(41,899)</u>	<u>(41,899)</u>	<u>(41,899)</u>	<u>-</u>
Fund balance - July 1, as restated	<u>4,670,273</u>	<u>4,670,273</u>	<u>4,670,273</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 8,121,561</u>	<u>\$ 7,123,241</u>	<u>\$ 9,479,976</u>	<u>\$ 2,356,735</u>

WILLISTON PUBLIC SCHOOL DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

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

North Dakota Teacher's Fund for Retirement Changes of Assumptions

Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experiences study dated April 30, 2015.

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

North Dakota Public Employees Retirement System Changes of Assumptions

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