

WISHEK PUBLIC SCHOOL DISTRICT  
WISHEK, NORTH DAKOTA

FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016

WISHEK PUBLIC SCHOOL DISTRICT

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WISHEK PUBLIC SCHOOL DISTRICT  
LIST OF OFFICIALS  
JUNE 30, 2016

BOARD OF EDUCATION

OFFICE

Curt Meidinger	President
Bruce Herr	
Melissa Kaseman-Wolf	
Dynette Ketterling	
Trina Schilling	

ADMINISTRATION

Shawn Kuntz	Superintendent
Carrie Wanner	Business manager

# Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

School Board  
Wishek Public School District  
Wishek, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and aggregate remaining fund information of Wishek Public School District 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wishek Public School District as of June 30, 2016, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

### **Basis of Accounting**

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

### **Other Matters**

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

### **Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wishek Public School District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basis financial statements.

The combining fund financial statements are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis 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 my opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basis financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued reports dated October 20, 2016, on my considerations of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



West Fargo, North Dakota  
October 20, 2016

405 West Main Avenue Box 816 West Fargo, ND 58078 Phone (701)281-0483 Cell 212-3908

WISHEK PUBLIC SCHOOL  
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS  
 JUNE 30, 2015

Governmental  
 Activities

ASSETS

Current assets:	1,308,085.68
Cash and investments	-
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	1,775,569.89
Total Assets	3,083,655.57

LIABILITIES

Noncurrent liabilities	
Due within one year:	
Bonds payable	70,949.87
Notes payable	-
Due after one year:	
Bonds payable	528,880.58
Notes payable	
Total liabilities	599,830.45

NET POSITION

Net investment in capital assets	1,175,739.44
Restricted for:	
Capital projects	160,050.45
Unrestricted	1,148,035.23
Total Net Position	2,483,825.12

The accompanying notes are an integral part of these financial statements.

WISHEK PUBLIC SCHOOL  
 STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS  
 YEAR ENDED JUNE 30, 2016

		Program Revenues		Net (expense) Revenue & Change: in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Regular	1,372,732.51		169,015.77	(1,203,716.74)
Special Education	332,909.88	127,692.27		(205,217.61)
Vocational Education	103,831.33		12,417.85	(91,413.48)
Support Services				
Administrative	380,528.94			(380,528.94)
Operation & maintenance	472,618.26			(472,618.26)
Pupil Transportation Services	180,967.16		137,686.20	(43,280.96)
Extracurricular	128,425.65			(128,425.65)
Food Service	130,694.84	52,405.50	72,852.52	(5,436.82)
Total Governmental Activities	3,102,708.57	180,097.77	391,972.34	(2,530,638.46)
General Revenues				
Taxes:				
Property taxes, levied for general purposes				554,972.07
State aid not restricted to specific program:				
Per pupil aid				2,080,672.49
Interest income and other revenue				42,099.82
Total General Revenues				2,677,744.38
Change in Net Position				147,105.92
Net Position- July 1				2,336,719.20
Net Position- June 30				2,483,825.12

The accompanying notes are an integral part of these financial statements.

WISHEK PUBLIC SCHOOL  
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS  
 JUNE 30, 2015

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and investments	1,148,035.23	160,050.45	-	1,308,085.68
Due from other funds	3,965.70			
Total Assets	1,152,000.93	160,050.45	-	1,308,085.68
<b>LIABILITIES</b>				
Due to other funds			3,965.70	3,965.70
Total liabilities	-	-	3,965.70	3,965.70
<b>FUND BALANCE</b>				
Restricted for Capital Projects		160,050.45		160,050.45
Restricted for general purposes		-	-	-
Unassigned	1,152,000.93	-	(3,965.70)	1,148,035.23
Total fund balance	1,152,000.93	160,050.45	(3,965.70)	1,308,085.68

The accompanying notes are an integral part of these financial statements.



WISHEK PUBLIC SCHOOL  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
 SHEET TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

Total Fund Balances for Governmental Funds	1,308,085.68
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	3,537,175.21	
Less accumulated depreciation	1,761,605.32	
Net capital assets		1,775,569.89

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net position. Balances at June 30, 2009 are:

Bonds payable	-
Lease payable	(599,830.45)

Total Net Position of Governmental Activities	2,483,825.12
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The accompanying notes are an integral part of these financial statements.

WISHEK PUBLIC SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2016

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	522,361.49	32,610.58		554,972.07
Other local sources	167,185.90	120.00	54,891.69	222,197.59
State sources	2,230,776.54		1,344.23	2,232,120.77
Federal sources	169,015.77	-	71,508.29	240,524.06
<b>Total Revenues</b>	<b>3,089,339.70</b>	<b>32,730.58</b>	<b>127,744.21</b>	<b>3,249,814.49</b>
<b>Current:</b>				
Instruction				
Regular	1,372,732.51			1,372,732.51
Special Education	332,909.88			332,909.88
Vocational Education	103,831.33			103,831.33
Support Services				
Administrative	380,528.94			380,528.94
Operation & maintenance	482,257.53			482,257.53
Pupil Transportation Services	262,202.16			262,202.16
Extracurricular	128,425.65			128,425.65
Food Service	-	-	130,694.84	130,694.84
<b>Total Expenditures</b>	<b>3,062,888.00</b>	<b>-</b>	<b>130,694.84</b>	<b>3,193,582.84</b>
Excess revenues (expenditures)	26,451.70	32,730.58	(2,950.63)	56,231.65
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)				-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	26,451.70	32,730.58	(2,950.63)	56,231.65
Fund balance- beginning	1,125,549.23	127,319.87	(1,015.07)	1,251,854.03
Fund balance- ending	1,152,000.93	160,050.45	(3,965.70)	1,308,085.68

The accompanying notes are an integral part of these financial statements.

WISHEK PUBLIC SCHOOL  
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances- Total Governmental Funds 56,231.65

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	136,373.22	
Current year depreciation expense	119,137.82	17,235.40

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 73,638.87  
 -

Change in Net Position of Governmental Activities 147,105.92

The accompanying notes are an integral part of these financial statements.

WISHEK PUBLIC SCHOOL  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2015

AGENCY  
FUNDS

ASSETS

Cash and investments

75,914.95

Total Assets

75,914.95

LIABILITIES

Due to Student Groups

75,914.95

Total liabilities

75,914.95

The accompanying notes are an integral part of these financial statements.

WISHEK PUBLIC SCHOOL DISTRICT  
WISHEK, NORTH DAKOTA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wishek Public School District (District) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Based on these criteria, there are no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the 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, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds: General Fund. The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds

The District also reports the following fund types: Agency Funds. These funds account for assets by the District in a custodial capacity as an agent on behalf of others. The District's agency fund is used to account for various deposits of the student activity funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

#### D. Budgets

Based upon available financial information and requests by the school board, the business manager prepares the District budget. The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

District taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county auditor by August 25. The governing body of the District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. 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.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Investments consist of certificates of deposits stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	70
Vehicles/equipment	10

G. 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 assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.



WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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.

H. Fund Balance

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

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

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

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

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

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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

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

The school board has set a General Fund minimum fund balance target at 10% of expenditures and recurring transfers.

I. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board did not amend the District budget for 2016.

EXPENDITURES OVER APPROPRIATIONS

The District did not overspend the budget for any individual funds: No remedial action is required by the district.

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

NOTE 3 DEPOSITS AND INVESTMENTS

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

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any District, District, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At June 30, 2016, the District's carrying amount of deposits was \$1,467,433. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$967,433 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the District to invest in:(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.(2) 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.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

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

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

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

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

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

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, being Depreciated				
Bldgs and Improvemnts	2,625,697	21,638		2,647,335
Vehicles & Equipment	775,105	114,735		889,840
Total Cap Assets Being Deprctd	3,400,802	136,373		3,537,175
Less accumulated depreciation for:				
Bldgs & Imp	1,091,234	65,134		1,156,368
Vehicles & Equip	551,233	54,004		605,237
Total Accum Dep	1,642,467	119,138		1,761,605
Total Cap Assets Being Dep, Net	1,758,334			1,758,334
Capital Assets, Net	1,758,334			1,758,334

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

Governmental Activities:	
School Food Services	0
Operations and Maint	74,292
Transportation	44,846
Total Dep Exp-Gov Activities	119,138

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended June 30, 2016, the following changes occurred in liabilities reported in long-term debt:

	Payable 2015	Increases	Decreases	Payable 2016	Due Within One Year
Lease Payable	673,469		73,639	599,830	545,000

The District is obligated to the following capital lease agreements at June 30, 2016 are shown below:

2017	99,163
2018	99,163
2019	99,163
2020	99,163
2021	99,163
Thereafter	<u>198,326</u>
	694,141
Less amount representing interest	<u>94,311</u>
Principal balance remaining	599,830

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

NOTE 9: PENSION PLANS

North Dakota Teachers Fund for Retirement TFFR

Summary of Significant Accounting Policies

General Information about the Pension Plan

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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 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.

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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 50 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 65, 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.



WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70  $\frac{1}{2}$ . 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.

Pension Expense Related to Pensions

For the year ended June 30, 2016, the Employer recognized pension expense of \$117,234.

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for TFFR.

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	57%	7.53%
Global Fixed Income	22%	1.40%
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, 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.

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

WISHEK PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

NOTE 10: RISK MANAGEMENT

The 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 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The school district pays an annual premium to NDRIF for its general liability and automobile insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The District has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

WISHEK SCHOOL  
INCOME STATEMENT  
JUNE 30, 2016

	GENERAL	FOOD SERVICE	BUILDING	2016	2015	2014
<b>REVENUES</b>						
TAXES	522,361.49		32,610.58	554,972.07	515,997.27	523,448.75
OTHER LOCAL	167,185.90	54,891.69	120.00	222,197.59	261,949.64	289,650.07
STATE	2,230,776.54	1,344.23		2,232,120.77	2,109,991.65	1,920,367.23
FEDERAL	169,015.77	71,508.29		240,524.06	90,852.05	202,442.04
<b>TOTAL REV</b>	<b>3,089,339.70</b>	<b>127,744.21</b>	<b>32,730.58</b>	<b>3,249,814.49</b>	<b>2,978,790.61</b>	<b>2,935,908.09</b>
<b>EXPENSES</b>						
INSTRUCTION	1,476,563.84			1,476,563.84	1,400,395.02	1,346,563.51
SPECIAL EDUCATION	332,909.88			332,909.88	302,144.98	237,199.20
ADMINISTRATION	380,528.94			380,528.94	323,079.54	298,259.15
PLANT	482,257.53			482,257.53	441,690.84	431,779.29
TRANSPORTATION	262,202.16			262,202.16	167,001.01	251,314.98
EXTRACURRICULAR	128,425.65			128,425.65	161,526.02	167,051.68
FOOD SERVICE		130,694.84		130,694.84	128,553.57	124,956.29
CAPITAL OUTLAY			-	-	74,820.17	22,655.52
DEBT SERVICE			-	-	-	-
<b>TOTAL EXP</b>	<b>3,062,888.00</b>	<b>130,694.84</b>	<b>-</b>	<b>3,193,582.84</b>	<b>2,999,211.15</b>	<b>2,879,779.62</b>
<b>EXCESS REV (EXP)</b>	<b>26,451.70</b>	<b>(2,950.63)</b>	<b>32,730.58</b>	<b>56,231.65</b>	<b>(20,420.54)</b>	<b>56,128.47</b>
TRANSFERS IN	-			-		
TRANSFERS OUT	-			-		
CAP LEASE PROC				-		
<b>EXCESS REV (EXP)</b>	<b>26,451.70</b>	<b>(2,950.63)</b>	<b>32,730.58</b>	<b>56,231.65</b>	<b>(20,420.54)</b>	<b>56,128.47</b>
<b>FUND BAL- BEG</b>	<b>1,125,549.23</b>	<b>(1,015.07)</b>	<b>127,319.87</b>	<b>1,251,854.03</b>	<b>1,272,274.57</b>	<b>1,216,146.10</b>
<b>FUND BAL- END</b>	<b>1,152,000.93</b>	<b>(3,965.70)</b>	<b>160,050.45</b>	<b>1,308,085.68</b>	<b>1,251,854.03</b>	<b>1,272,274.57</b>

WISHEK PUBLIC SCHOOL DISTRICT

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JUNE 30, 2016

WISHEK PUBLIC SCHOOL DISTRICT

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# Harold J. Rotunda

## Certified Public Accountant

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

### Independent Auditor's Report

School Board  
Wishek Public School District  
Wishek, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wishek Public School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated October 20, 2016.

#### **Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2016-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wishek Public School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### **District's Response to Findings**

Wishek Public School District's response to the finding identified in my audit is described in the accompanying schedule of findings. Wishek Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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



Harold Rotunda, CPA  
October 20, 2016



WISHEK PUBLIC SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	___X___	No
Significant deficiencies identified not Considered to be material weaknesses	___X___	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	___X___	No

Section II- Financial Statement Findings

Finding No. 2016-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

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

Effect

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

WISHEK PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

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

Client Response

At the present time, the District has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.