

**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BEACH, NORTH DAKOTA**

**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2014**

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**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2014**

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**Dickinson Public School District #1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

The Management's Discussion and Analysis (MD&A) of the Dickinson Public School District #1 provides an overview and overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of the MD&A is to look at the District's financial performance as a whole. The financial statements referenced within this discussion include all funds groups within the Dickinson Public Schools accounting system from July 1, 2013 through June 30, 2014.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year 2013-2014 and the prior year 2012-2013 is required to be presented in the MD&A.

For information or inquiries concerning this Management's Discussion and Analysis, please contact Assistant Superintendent Vince Reep at 444 4th St. West in Dickinson, ND 58601 or by phone 701-456-0002.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-2014 fiscal year include the following:

BRIEF DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

• Statement of Net Position	FY 2013	FY 2014
<u>Assets</u>		
Cash	\$12,111,416	\$15,592,725
Taxes/Receivable	\$43,269	\$55,737
Due from other governments	\$1,124,118	\$1,245,290
Capital assets not being deprec.	\$141,903	\$141,903
Capital assets being deprec.	<u>\$19,260,747</u>	<u>\$21,515,580</u>
TOTAL ASSETS	\$32,681,453	\$38,551,235
<u>Liabilities</u>		
Accounts payable	\$750,487	\$979,726
Liabilities due within one year	\$701,273	\$656,176
Due in more than one year	<u>\$6,663,706</u>	<u>\$5,988,214</u>
TOTAL LIABILITIES	\$8,115,466	\$7,624,116

<u>Net Position</u>		
Investment in capital assets	\$12,417,650	\$15,262,483
Unrestricted	\$11,997,569	\$10,501,123
Restricted	<u>\$150,768</u>	<u>\$5,163,513</u>
TOTAL NET POSITION	\$24,565,987	\$30,927,119

GENERAL FUND

- General Fund (01) revenues increased by \$5,492,798. This represents an 18.5% increase from the previous fiscal year. Revenues received for 2013-2014 were 6% more than budgeted. Increases in oil & gas revenues, rapid growth grant funds, and increased property valuation, thus more tax revenue, were the most notable for these increases in revenue.
- General Fund (01) expenditures decreased by \$946,817. This represents a 2.9% decrease from the previous fiscal year. The most notable reason for this decrease was due a \$5,400,000 transfer to Capital Projects for the construction of Prairie Rose Elementary in 2012-2013. Expenditures in 2013-2014 were within .47% of the approved budget.
- The General Fund (01) balance ended the year at \$10,146,478. The interim fund balance is 31.7% of the General Fund (01) expenditures for 2013-2014. The interim fund balance percentage will most likely decline to a lower percentage in 2014-2015 due to increase in staff, the expansion of Prairie Rose Elementary, and overall growth in student enrollment and the costs associated with that growth.

On pages vi and vii of this audit report, general operations revenues and expenditures are displayed numerically and graphically for the 2013-2014 fiscal year.

BUILDING FUND

- The most significant building fund project was the completion of the new K-5 elementary school, Prairie Rose Elementary. The construction for this building began in the spring of 2012 and was completed in late July of 2013. The expected fall enrollment of this school is projected at 380 students. Plans to expand Prairie Rose by adding an additional wing of eight classrooms and other space were approved by the Board in the spring of 2014.
- Other building fund projects included: resurfacing the bus loop and the faculty parking lot at DHS, replacing the main gym floor at DHS, and new lockers in the boys' locker room. Replacing the carpet in the gym at Heart River, roof repairs to the Powerhouse at Berg and the food services storage at Heart River, additional lockers at Hagen, Lincoln, and Heart River, additional cold storage at Jefferson and Lincoln, and adding basketball courts at Prairie Rose.

- The Building Fund balance was \$4,912,917 at the end of the fiscal year. This balance does not include partial funds for the Prairie Rose expansion project. It is estimated that the building fund will maintain a healthy balance after this project.

DEBT SERVICE FUND

- The Debt Service Fund (04) currently has four sinking and interest repayment accounts that are active. Two previous bonding issues and a school construction loan were re-bid and collapsed into two bond debt service payments. US Bank has both of these issues with principals of \$625,000 and interest of \$30,077. The other two debt service balances are in relation to the Prairie Rose Elementary project. \$5,770,000 in principal and \$827,809 in interest will be due to those two bonds. The building fund levy and a new HVAC levy will provide funds to repay these bond issues by 2027.
- As of June 30, 2014 the total debt for the District totaled \$7,703,029 including interest. A spreadsheet with the details of this debt has been provided to the auditors.
- On October 7, 2014 the patron of Dickinson Public Schools approved by a 73.5% margin a bond referendum allowing the District issue and sell up to \$65,000,000 in bonds. The proceeds from this sale of bonds will be used to construct a new middle school (grades 6-8). Construction costs, land purchases, infrastructure (streets, sewer, water, and power), architect fees, equipment & furniture and other associated costs will be considered. It is estimated that the repayment of these bonds will necessitate levying approximately 30 mills in property taxes for tax year 2014. On October 10, 2014 the Board unanimously passed a motion to authorize the business manager to amend the certificate of levy with the Stark County auditor. \$2,004,000 was added in sinking and interest for tax year 2014.

CAPITAL ASSETS

- For the year ending June 30, 2013 Dickinson Public Schools had an ending balance of \$19,402,650 in capital assets. At the end of fiscal year 2014 the ending balance was \$21,515,580. Significant changes to our capital assets during fiscal year 2014 included the remaining cost of Prairie Rose Elementary, two buses, a compact wheel loader, floor scrubber, a walk-in freezer, a tilting skillet, a convection steamer, and a copier. These fixed assets added \$66,978 of depreciated value to our capital assets.

FOOD SERVICE FUND

- The Food Service Fund (05) realized an increase in expenditures from the previous year of \$211,885. Revenues increased \$268,140 from 2012-2013 to 2013-2014 excluding a \$100,000 transfer from the general fund. This left a food services fund balance of \$44,744. The price of student meals will be increased by

10 cents for the 2014-2015 school year. Food Services of America will be the primary vendor for 2014-2015.

STUDENT ACTIVITIES FUND

- The ending balance of the many student activity accounts was \$1,184,862. There were one hundred-nineteen (119) active student activity accounts. The largest account balance carried forward was the RASP non-grant activity account which ended the year with a balance of 598,358.
- There are few significant ramifications for increases or decreases in this fund since this fund is purely custodial in nature.

OTHER SIGNIFICANT FACTORS FOR FUTURE OPERATIONS

SELF-FUNDED HEALTH INSURANCE

- The Dickinson Public Schools' employees have now been self-funded in health insurance for eleven and a half years. The 2013-2014 fiscal year showed a gain of \$189,234. Claims for the year were \$191,266 more than the previous year, and revenues increased by \$422,252. The fund did end the year in the black with a balance of \$782,496. Our premiums continue to be slightly lower than NDPERS and other local health insurance plans. A premium increase of 8-10% in October 2014 is expected which should keep the District at the suggested funding level of Blue Cross Blue Shield.

ENROLLMENT TRENDS

- The District is expected to experience continued growth in students as the 2014-2015 school year begins. The majority of the growth continues to be seen in the K-6 buildings, however Hagen Junior High and Dickinson High School are now also showing enrollment trend increases. September enrollment numbers are estimated to show a total net increase of 273 students from the Fall of 2013. Future enrollment trends and projections will be monitored very carefully as expected growth may happen at a rate greater than 4% - 7%.

GROWTH IN LOCAL TAX BASE & PROPERTY TAX RELIEF

- The taxable valuation of the Dickinson Public School District is expected to grow by an estimated 22% at the end of 2014. This growth will increase the value of a mill, thus increasing the possibility to generate more local revenue through property taxes. \$6,959,950 was collected in property taxes for 2013-2014. Due to changes in the North Dakota state funding formula, a larger portion of school revenues have been shifted from the local level to the state. The general fund is expected to levy 60 mills which will now include mills for debt service repayment. The estimated 2014-2015 mill levy for all mills is expected to drop by slightly more than 5 mills.

STAFFING NEEDS

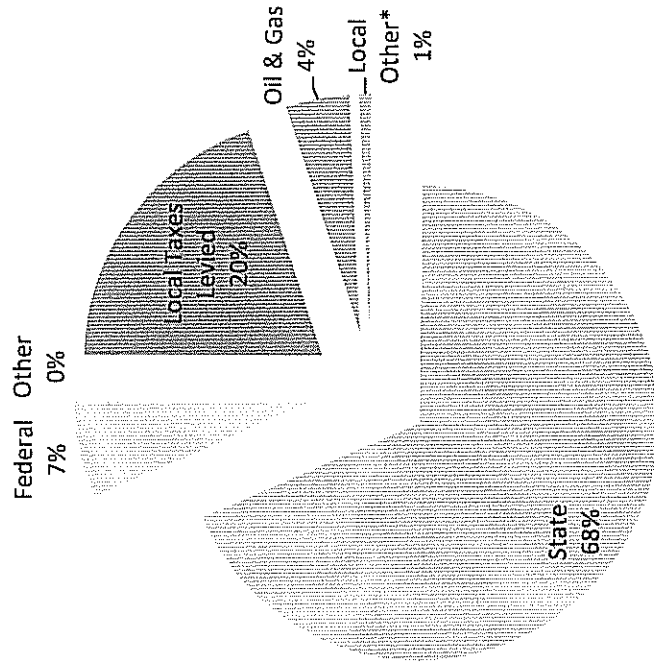
- The District's experienced the heaviest hiring year for licensed staff in history for the second year in a row. A total of forty-seven (47) new teachers and two administrators were hired in 2014. One quarter these new hires were due to retirements, one-third were due to teachers leaving the profession or moving outside of the district, and the balance was due to new positions added. Seventeen new licensed positions were added from 2012-2013 to 2013-2014. Affordable teacher housing continues to be a challenge for the District.
- State and national teacher shortages continue to challenge the District's ability to hire highly qualified and talented educators. However, the District continues to have great success in recruiting and hiring excellent new teachers.

Dickinson Public Schools

General Fund Revenue

2013-2014

2013-2014 Revenue



Sources of Revenue	Amount	% of Total
Local Taxes Levied	\$6,959,950	19.8%
Oil & Gas	\$1,531,250	4.4%
Local Other*	\$298,826	0.9%
State	\$24,038,296	68.4%
Federal	\$2,307,580	6.6%
Other	\$0	0.0%
Total	\$35,135,902	100%

*Tuition, Fees, Interest Earned Etc.

DETAIL BREAKDOWN

Percent of Total Above

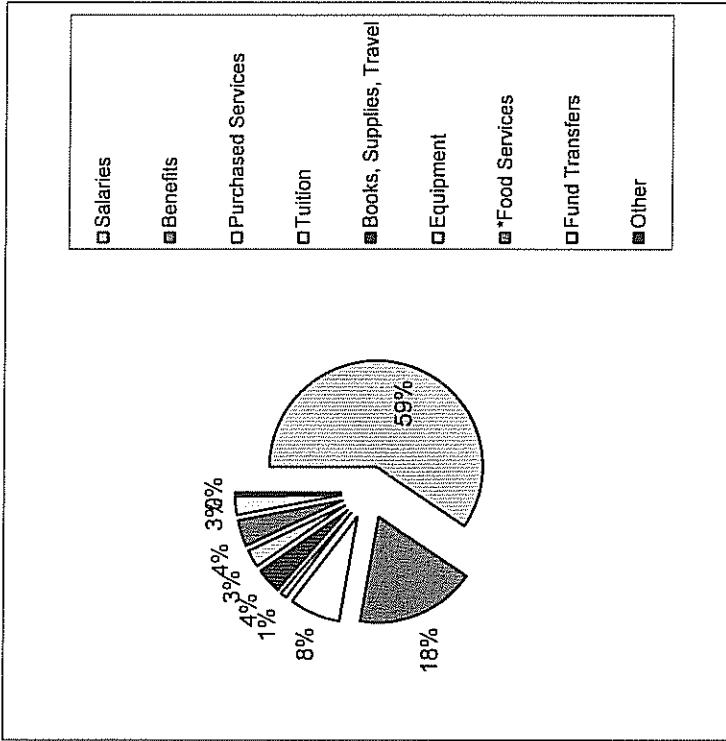
LOCAL:

Source	Amount	Percent of Total Above
Taxes Levied	\$6,959,950	19.81%
Tuition	\$48,992	0.14%
Interest Earned	\$24,017	0.07%
Driver's Ed & Transportation Fees	\$26,113	0.07%
RASP Parent Fees	\$83,242	0.24%
Misc.	\$116,462	0.33%
Total	\$7,258,776	20.7%

Dickinson Public Schools

General Operation Expenditures

2013-2014



Expenditure Category	Amount	% of Total
Salaries	\$19,812,381	59.45%
Benefits	\$6,064,949	18.20%
Purchased Services	\$2,559,610	7.68%
Tuition	\$332,313	1.00%
Books, Supplies, Travel	\$1,317,071	3.95%
Equipment	\$893,320	2.68%
*Food Services	\$1,336,356	4.01%
Fund Transfers	\$921,170	2.76%
Other	\$90,885	0.27%
TOTAL	\$ 33,328,055.00	100.00%

* Note that Food Services totals contain salaries and benefits also.

DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2014

BOARD OF TRUSTEES

Kris Fehr	President
Jason Hanson	Vice - President
Sarah Ricks	Trustee
Leslie Ross	Trustee
Tanya Rude	Trustee

OFFICIALS

Douglas Sullivan	Superintendent
Vince Reep	Assistant Superintendent



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Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Dickinson Public School District
Dickinson, North Dakota 58602

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Dickinson Public School District, Dickinson, North Dakota, as of and for the year ended June 30, 2014, 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 and each major fund of Dickinson Public School District, Dickinson, North Dakota, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-vii and 25-27 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dickinson Public School District, Dickinson, North Dakota's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

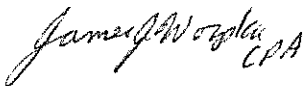
The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the

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, the schedule of expenditures of federal awards 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 October 22, 2014, on our consideration of Dickinson Public School District, Dickinson, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dickinson Public School District, Dickinson, North Dakota's internal control over financial reporting and compliance.

James J. Wosepka, PC

By  CPA

Beach, North Dakota
October 22, 2014

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,592,725
Taxes/assessments receivable	55,737
Due from other governments	1,245,290
Capital assets not being depreciated	
Land	141,903
Capital assets being depreciated (net of accumulated depreciation)	21,515,580
Total Assets	38,551,235
LIABILITIES	
Accounts payable and other current liabilities	979,726
Noncurrent liabilities:	
Due within one year	656,176
Due in more than one year	5,988,214
Total Liabilities	7,624,116
NET POSITION	
Net investment in capital assets	15,262,483
Unrestricted	10,501,123
Restricted	5,163,513
Total Net Position	\$ 30,927,119

The notes to the financial statements are an integral part of this statement.

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Activities
Fiscal Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	
Salaries	\$ 19,744,053	\$ -	-	\$ (19,744,053)
Employee benefits	6,162,806	-	-	(6,162,806)
Purchased services	2,156,986	-	-	(2,156,986)
Supplies	1,893,049	-	-	(1,893,049)
Equipment	602,258	-	-	(602,258)
Other	100,151	-	-	(100,151)
Capital outlay	41,287	-	-	(41,287)
Debt service	123,803	-	-	(123,803)
Food service	1,344,620	757,378	464,562	(122,680)
Unallocated depreciation	522,886	-	-	(522,886)
Total governmental activities	\$ 32,691,899	\$ 757,378	\$ 464,562	(31,469,959)

General revenues:

Property taxes	9,299,397
Restricted Federal/State revenues	2,762,466
Unrestricted Federal/State shared revenues	25,714,801
Unrestricted investment earnings	24,017
Total general revenues and transfers	37,800,681
Change in net position	6,330,722
Total net position - July 1, 2013	24,565,987
Prior period restatement	30,410
Restated net position - July 1, 2013	24,596,397
Total net position - June 30, 2014	\$ 30,927,119

The notes to the financial statement are an integral part of this statement.

DICKINSON PUBLIC SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2014

Description	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects	Food Service	Total	
ASSETS						
Cash and cash equivalents	\$ 10,506,344	\$ 116,821	\$ 4,912,917	\$ 56,643	\$ 15,592,725	
Tax/assessment receivable	48,792	2,056	4,889	-	55,737	
Due from other governments	1,175,103	16,524	53,663	-	1,245,290	
Total Assets	11,730,239	135,401	4,971,469	56,643	16,893,752	
LIABILITIES						
Accounts payable	967,827	-	-	11,899	979,726	
Total Liabilities	967,827	-	-	11,899	979,726	
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	48,792	2,056	4,889	-	55,737	
FUND BALANCES						
Restricted	-	133,345	4,966,580	44,744	5,144,669	
Assigned	-	-	-	-	-	
Unassigned	10,713,620	-	-	-	10,713,620	
Total fund balances	10,713,620	133,345	4,966,580	44,744	15,858,289	
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,730,239	\$ 135,401	\$ 4,971,469	\$ 56,643		

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,657,483
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	55,737
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,644,390)
Net position - governmental funds	\$ 30,927,119

The notes to the financial statements are an integral part of this statement.

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Fiscal Year Ended June 30, 2014

Description	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects	Food Service		
REVENUES						
Property taxes	\$ 7,146,569	\$ 373,260	\$ 1,767,100	\$ -	\$ -	9,286,929
Earnings on investments	24,017	-	-	-	-	24,017
School lunch sales	-	-	-	757,378	-	757,378
Other local sources	1,806,060	-	72,537	-	-	1,878,597
State revenue	24,209,661	-	-	37,803	-	24,247,464
Federal aid	2,389,009	-	-	426,759	-	2,815,768
Total Revenues	35,575,316	373,260	1,839,637	1,221,940	-	39,010,153
EXPENDITURES						
Current:						
Salaries	19,744,959	-	-	-	-	19,744,959
Employee benefits	6,162,806	-	-	-	-	6,162,806
Purchased services	2,288,329	-	-	-	-	2,288,329
Supplies	1,893,049	-	-	-	-	1,893,049
Equipment	893,184	-	-	-	-	893,184
Food service	-	-	-	1,336,356	-	1,336,356
Other	100,151	-	-	-	-	100,151
Capital Outlay:						
Capital outlay	-	-	2,504,274	-	-	2,504,274
Debt Service:						
Debt service	-	713,803	-	-	-	713,803
Total Expenditures	31,082,478	713,803	2,504,274	1,336,356	-	35,636,911
Excess of revenues (under) over expenditures	4,492,838	(340,543)	(664,637)	(114,416)	-	3,373,242
OTHER FINANCING SOURCES (USES)						
Transfers in	-	383,000	809,221	100,000	-	1,292,221
Transfers out	(909,221)	-	(383,000)	-	-	(1,292,221)
Total other financing sources (uses)	(909,221)	383,000	426,221	100,000	-	-
Net change in fund balances	3,583,617	42,457	(238,416)	(14,416)	-	3,373,242
Fund balances - July 1, 2013	7,130,003	90,888	5,204,996	59,160	-	12,485,047
Fund balances - June 30, 2014	\$ 10,713,620	\$ 133,345	\$ 4,966,580	\$ 44,744	\$ -	\$ 15,858,289

The notes to the financial statements are an integral part of this statement.

DICKINSON PUBLIC SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds (page 8)	\$ 3,373,242
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	2,785,983
Depreciation expense	<u>(531,150)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Unavailable property taxes	<u>12,468</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
Long-term bond principal payments	<u>590,000</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Accrued compensated absences and early retirement buyouts	<u>100,179</u>
Change in Net Position in Governmental Activities	\$ <u>6,330,722</u>

The notes to the financial statements are an integral part of this statement.

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

Description	Trust Funds
	Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 1,184,862
Total Assets	1,184,862
LIABILITIES	
Due to other governments	-
Total Liabilities	-
NET POSITION	
Held for student activities	\$ 1,184,862

The notes to the financial statements are an integral part of this statement.

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2014

Description	Trust Funds Private Purpose Trust Funds
ADDITIONS:	
Student activities revenue	\$ 1,227,704
Total Additions	1,227,704
DEDUCTIONS:	
Student activities	1,088,120
Total Deductions	1,088,120
Change in net position	139,584
Total net position - July 1, 2013	1,045,278
Total net position - June 30, 2014	\$ 1,184,862

The notes to the financial statements are an integral part of this statement.

**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

1. Summary of Significant Accounting Principles

The financial statements of the Dickinson Public School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

All operations of the District are controlled by a Board of Trustees, elected in district-wide elections, and responsible for all of the District's activities. The financial statements include all of the District's operations controlled by the Board of Trustees. The District is considered to be an independent reporting entity.

There are no other organizations that are financially dependent on the District or otherwise could be considered component units of the District.

Basis of Presentation and Basis of Accounting

Government-wide Statements - The Statements of Net Position and the Statement of Activities show information about the overall financial position and activities of the School District with the exception of the student activity and endowment funds.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

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. The District does not charge indirect expenses to programs or functions. Program revenues include fees for services (primarily school lunch and breakfast charges) and grants and contributions that are restricted to a particular program. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

1. **Summary of Significant Accounting Principles**
Basis of Presentation and Basis of Accounting – cont.

Fund Financial Statements - These statements provide information about the District's funds including a separate statement for the District's fiduciary funds (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other governmental funds.

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. State and other governmental revenues applicable to the current fiscal year and collected soon after year end are recognized as revenue.

Most current property taxes receivable are delinquent at March 1 and amounts collected soon after year end are not significant. Deferred inflows are recorded for these receivables.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Major Funds - Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly, the District reports the following major governmental funds:

General Fund - This is the District's primary operating fund and it accounts for all financial resources of the District, except those required to be accounted for in other funds.

Capital Projects Funds – Account for financial resources used to acquire or construct major capital facilities (other than those of proprietary and trust funds). The most common source of revenue in this fund would be the sale of bonds. The Special Building and Special Assessment levies allowed North Dakota school districts would also be included in this fund.

Debt Service Funds – Account for the resources for and the payment of long-term debt, principal, and interest.

1. Summary of Significant Accounting Principles - cont.

Food Service Funds – Account for operations of the lunch programs that are financed and operated in a manner similar to private business enterprises. That is, the stated intent is that the cost (expenses, including depreciation and indirect costs) of providing food services to the students are financed or recovered primarily through user charges.

The District reports the following fund types:

Trust Funds – The District also has a private purpose trust fund, its student activity fund, which accounts for the extracurricular activities of its students.

Cash and Investments

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

Fund Balance Reporting

Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balances and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The District does not have any inventory prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

1. **Summary of Significant Accounting Principles - cont.**
Fund Balance Reporting – cont.

- **Unassigned:** fund balance of the General Fund that is not constrained for any particular purpose.

	Major Funds				Total Governmental Funds
	General Fund	Debt Service	Capital Projects	Food Service	
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Debt Service	-	133,345	-	-	133,345
Food Service	-	-	-	44,744	44,744
Capital Projects	-	-	4,966,580	-	4,966,580
Unassigned	10,713,620	-	-	-	10,713,620
Total Fund Balances	\$ 10,713,620	\$ 133,345	\$ 4,966,580	\$ 44,744	\$ 15,858,289

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

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

Interfund Transactions

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used for

1. **Summary of Significant Accounting Principles - cont.**

Net Position – cont.

the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

Capital Assets - Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Buildings and improvements	15-50 years
Equipment	7-25 years

Taxes

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts. Management does not believe that the accounting method being used results in any material differences.

Vacation and Sick Leave

Liabilities incurred because of unused vacation and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. Expenditures for these liabilities are recognized when paid.

2. **Reconciliation of Government-Wide and Fund Financial Statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance–total governmental funds and net position–governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (6,395,000)
Early retirement buyouts	(105,925)
Compensated absences	<u>(143,465)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (6,644,390)</u>

2. Reconciliation of Government-Wide and Fund Financial Statements – cont.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances—total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this difference are as follows:

Capital outlay	\$ 2,785,983
Depreciation expense	<u>(531,150)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,254,833</u>

Another element of that reconciliation states that “the issuance of long-term (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position. The details of this difference are as follows:

Principal repayments:	
General obligation debt	<u>\$ (590,000)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (590,000)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (906)
Early retirement buyouts	<u>(99,273)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (100,179)</u>

3. Taxes Receivable

Taxes receivable consist of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with National Council on Government Accounting (NCGA) Interpretation 3, “Revenue Recognition-Property Taxes”. This interpretation states that property tax revenue is recorded when it

3. **Taxes Receivable – cont.**

becomes available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, taxes receivable are recorded as deferred revenue.

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid.

4. **Cash and Investments**

State statutes authorize local governments to invest in: a) 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, b) Securities sold under agreements to repurchase written by a financial institution which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state, d) Obligations of the state.

At June 30, 2014, the carrying amount of the District's deposits (cash and money markets) was \$16,774,787 and the bank balance was \$17,611,485. The entire bank balance throughout the year was covered by Federal Depository Insurance or by collateral held by the pledging financial institution's trust department or agent in the District's name.

The deposits were deemed collateralized under North Dakota law during the year.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. All of the deposits held in the District's name are authorized by the State of North Dakota.

Custodial Credit Risk

The investment policy of the District does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the provision of state law.

Custodial risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Credit, Interest Rate, and Foreign Currency Risk

The District has no interest rate risk, credit risk, or foreign currency risk of debt securities.

5. **Amounts Due From Other Governments**

The amounts due from other governments consist of the following:

Due from State	\$	860,757
Due from County Treasurer		<u>384,523</u>
	\$	<u><u>1,245,280</u></u>

6. **Pending Litigation**

There was no pending or threatened litigation or unasserted claims or assessments against the District.

7. **Commitments**

The School District had signed a contract prior to June 30, 2014 for work on the Dickinson High School Gym floor. The total contract was \$117,000 of which nothing was due prior to June 30, 2014. The contract was completed by the end of September 2014.

In February of 2014, the Board approved the purchase of a bus for \$149,857. The bus was received and paid for after June 30, 2014.

In July of 2014, the Board approved and purchased two buses for \$139,250.

8. **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.

9. **Long-term Debt**

Compensated absences payable represent vacation and sick leave earned by employees which is payable upon termination.

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Accrued vacation and early retirement buyouts	\$ 349,569	\$ -	\$ 100,179	\$ 249,390	\$ 51,176

9. Long-term Debt – cont.

Long-term liability activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bond 2011	\$ 4,665,000	\$ -	\$ 305,000	\$ 4,360,000	\$ 310,000
Tax levy bond 2011	1,500,000	-	90,000	1,410,000	90,000
General obligation bond 2010	415,000	-	100,000	315,000	105,000
Limited tax levy bond 2010	405,000	-	95,000	310,000	100,000
	<u>6,985,000</u>	<u>-</u>	<u>590,000</u>	<u>6,395,000</u>	<u>605,000</u>
Compensated absences	144,371	-	906	143,465	-
Early retirement payable (restated)	205,198	-	99,273	105,925	51,176
	<u>349,569</u>	<u>-</u>	<u>100,179</u>	<u>249,390</u>	<u>51,176</u>
Total government activity long-term liabilities	<u>\$ 7,334,569</u>	<u>\$ -</u>	<u>\$ 690,179</u>	<u>\$ 6,644,390</u>	<u>\$ 656,176</u>

Payments on the general obligation bonds are made by the Debt Service Fund with property taxes. The accrued vacation and early retirement will be paid by the fund for which the employee worked. The annual payments for early retirement are as follows:

2015	\$ 51,176
2016	17,442
2017	17,442
2018	15,989
2019	3,876
	<u>\$ 105,925</u>

The annual requirements to amortize all general obligation and tax levy bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Year ended June 30	Principal	Interest	Total
2015	\$ 605,000	\$ 115,577	\$ 720,577
2016	615,000	107,998	722,998
2017	620,000	99,248	719,248
2018	410,000	89,010	499,010
2019	415,000	83,169	498,169
	<u>2,665,000</u>	<u>495,002</u>	<u>3,160,002</u>
2020-2024	2,190,000	299,254	2,489,254
2025-2028	1,540,000	63,550	1,603,550
	<u>\$ 6,395,000</u>	<u>\$ 857,806</u>	<u>\$ 7,252,806</u>

10. Transfers

During the fiscal year ended June 30, 2014, several equity transfers were made. The following is a schedule of those transfers:

Fund	Amount	Reason
Debt Service	\$ 383,000	General operating transfers
Capital Projects	(383,000)	General operating transfers
General	(909,221)	General operating transfers
Capital Projects	809,221	General operating transfers
Food Service	100,000	General operating transfers

11. Statewide Retirement Plans

North Dakota Teachers Fund for Retirement

The School District contributes to the North Dakota Teachers Fund for Retirement (TFFR), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. TFFR provides for retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report is located on their website, www.nd.gov/rio, or may be obtained by writing to Teachers Fund for Retirement, 1930 Burnt Boat Drive, P.O. Box 7100, Bismarck, North Dakota 58507-7100.

Plan members are required to contribute 9.75% of their annual covered salary and the School District is required to contribute 10.75% of the teacher's salary. The contribution requirements of plan members and the School District are established and may be amended by the State Legislature. The School District's contributions to TFFR for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,612,961, \$1,444,156, and \$1,149,921, respectively, equal to the required contributions for the year.

Each August, employers receive a fiscal year Employer Summary Report. The necessary information needed to comply with GASB 25 is included on this report. The School District's contribution to TFFR for the prior fiscal year is located on the last page of this report. Under the **Employer Totals** section, the amount paid is totaled at the bottom of the **Payment** column and includes taxed member contributions, tax deferred member contributions, and employer contributions.

Public Employees Retirement System

The School District participates in the North Dakota Public Employees Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan:

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of Dickinson Public School District. The plan provides retirement, disability, and death benefits. If an active employee dies with less than five years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred, or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death.

11. **Statewide Retirement Plans**

Public Employees Retirement System – cont.

If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 1.89% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85 or at normal retirement age (65). The plan permits early retirement at ages 55-64 with five or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 6% for 2013 and 7% for 2014 of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The District is required to contribute 6.12% for 2013 and 7.12% for 2014 of each participant's salary as the employer's share. The District also contributes 1.14% of each participant's salary as a health credit. The required contributions are determined using entry age normal actuarial funding methods. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The District's contributions to NDPERS for the years ended June 30, 2014, 2013, and 2012 were \$313,187, \$211,176, and \$152,359, respectively.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. A copy of that report is available from NDPERS, 400 East Boulevard, Suite 505, P.O. Box 1214, Bismarck, ND 58502-1214.

12. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 141,903	\$ -	\$ -	\$ 141,903
Construction in progress	9,685,679	-	9,685,679	-
Total capital assets, not being depreciated	<u>9,827,582</u>	<u>-</u>	<u>-</u>	<u>141,903</u>
Capital assets, being depreciated:				
Buildings and improvements	16,478,600	12,148,666	-	28,627,266
Furniture and equipment	3,086,395	322,996	5,000	3,404,391
Total capital assets, being depreciated	<u>19,564,995</u>	<u>12,471,662</u>	<u>5,000</u>	<u>32,031,657</u>
Accumulated depreciation for:				
Buildings and improvements	(7,706,179)	(317,807)	-	(8,023,986)
Furniture and equipment	(2,283,748)	(213,343)	5,000	(2,492,091)
Total accumulated depreciation	<u>(9,989,927)</u>	<u>(531,150)</u>	<u>5,000</u>	<u>(10,516,077)</u>
Total capital assets, being depreciated, net	<u>9,575,068</u>			<u>21,515,580</u>
Governmental activities capital assets, net	<u>\$ 19,402,650</u>			<u>\$ 21,657,483</u>
Depreciation expense was charged to:				
Unallocated	\$ 522,886			
Food service	8,264			
	<u>\$ 531,150</u>			

13. Risk Management

The Dickinson Public 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, 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, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$2,000,000

13. **Risk Management – cont.**

for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

The School District maintains a health and medical benefit program which covers all eligible employees. The School District has retained a major portion of the risk for this plan and accordingly, is liable for any employee health claims approved for payment. Stop-loss coverage limits were \$100,000 for individual claims. Health insurance and medical expenditures were \$3,313,842 for the year ended June 30, 2014 and consisted of paid claims, stop-loss premiums, and administrative fees. As of June 30, 2014, an estimated liability for incurred, but not reported claims of approximately \$782,496 was recorded in the General Fund as accounts payable. This estimate was used to show cash on hand as a liability for future payments and approximates historical claims experience.

The School District does not show a fund balance for the self-funded health insurance, since it records funds put into the plan as an expense.

Change in cash in the plan was as follows:

Cash balance June 30, 2013	\$ 593,262
Funds into the plan	3,503,076
Claims paid	<u>(3,313,842)</u>
Cash balance June 30, 2014	<u>\$ 782,496</u>

During fiscal year 2009, the District put \$300,000 into the self-funded health insurance to cover shortfall. It is intended that the funds will be paid back, but being an unknown, a receivable has not been recorded by the District.

14. **Restatement of Net Position**

Early retirement payable was overstated by \$30,410 as of June 30, 2013.

15. **Subsequent Events**

The voters approved a \$65,000,000 bond levy for a new middle school. No bids or contracts had been awarded as of the date of this report.

**REQUIRED
SUPPLEMENTAL INFORMATION**

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 6,620,000	\$ 6,620,000	\$ 7,146,569	\$ 526,569
Earnings on investments	15,000	15,000	24,017	9,017
Other local sources	1,177,000	1,177,000	1,806,060	629,060
State revenue	23,170,954	23,170,954	24,209,661	1,038,707
Federal aid	2,161,201	2,161,201	2,389,009	227,808
Total revenues	33,144,155	33,144,155	35,575,316	2,431,161
Expenditures:				
Current:				
Salaries	19,794,942	19,794,942	19,744,959	49,983
Employee benefits	6,044,499	6,044,499	6,162,806	(118,307)
Purchased services	2,537,348	2,537,348	2,288,329	249,019
Supplies	2,088,962	2,088,962	1,893,049	195,913
Equipment	1,336,004	1,336,004	893,184	442,820
Other	173,961	173,961	100,151	73,810
Total expenditures	31,975,716	31,975,716	31,082,478	893,238
Excess of revenues over (under) expenditures	1,168,439	1,168,439	4,492,838	3,324,399
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	(168,439)	(168,439)	(909,221)	(740,782)
Total other financing sources (uses):	(168,439)	(168,439)	(909,221)	(740,782)
Net change in fund balances	\$ 1,000,000	\$ 1,000,000	3,583,617	\$ 2,583,617
Fund balance - beginning - Budget and GAAP basis			7,130,003	
Fund balance - ending - Budget and GAAP basis			\$ 10,713,620	

**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA**

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2014

Budgets

Based upon available financial information and requests by the governing board, the Business Manager prepares the preliminary budget. The School District budget is prepared for the General Fund by function and activity on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and, on or before August 15, the board adopts the final budget. The final budget must be filed with the County Auditor by August 25. The governing board may amend the budget during the year for any revenues and budget amendments approved by the board and the approval must be noted in the official proceedings of the board.

The District made the following expenditure budget amendment:

	Original Budget	Change	Final Budget
Capital Projects	\$ 2,130,000	\$ 1,225,000	\$ 3,355,000

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The District does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General, Special Revenue, and Capital Projects Funds, enables the District to record purchase orders, contracts, and other commitments for the expenditure of monies in order to reserve that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as reservations of fund balance on the balance sheet. The encumbrances have been recorded as expenditures since they meet the "valid obligation criteria". The valid obligation criteria are:

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.
2. The cost of commitments related to construction in progress may be encumbered, if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

As of June 30, 2014, the District incurred \$0 encumbrances.

SUPPLEMENTAL INFORMATION

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Food Service Funds
Year Ended June 30, 2014

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Lunch sales	678,300	678,300	757,378	79,078
State revenue	37,150	37,150	37,803	653
Federal aid	467,000	467,000	426,759	(40,241)
Total revenues	<u>1,182,450</u>	<u>1,182,450</u>	<u>1,221,940</u>	<u>39,490</u>
Expenditures:				
Food service	1,428,198	1,428,198	1,336,356	91,842
Total expenditures	<u>1,428,198</u>	<u>1,428,198</u>	<u>1,336,356</u>	<u>91,842</u>
Excess of revenues over (under) expenditures	<u>(245,748)</u>	<u>(245,748)</u>	<u>(114,416)</u>	<u>131,332</u>
Other financing sources (uses):				
Transfer in	-	-	100,000	100,000
Transfer out	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balances	<u>\$ (245,748)</u>	<u>\$ (245,748)</u>	<u>(14,416)</u>	<u>\$ 231,332</u>
Fund balances - beginning - Budget and GAAP basis			<u>59,160</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 44,744</u>	

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Debt Service Fund
Year Ended June 30, 2014

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ 345,000	\$ 345,000	\$ 373,260	\$ 28,260
Earnings on investments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>345,000</u>	<u>345,000</u>	<u>373,260</u>	<u>28,260</u>
Expenditures:				
Debt service	<u>765,853</u>	<u>765,853</u>	<u>713,803</u>	<u>52,050</u>
Total expenditures	<u>765,853</u>	<u>765,853</u>	<u>713,803</u>	<u>52,050</u>
Excess of revenues over (under) expenditures	<u>(420,853)</u>	<u>(420,853)</u>	<u>(340,543)</u>	<u>80,310</u>
Other financing sources (uses):				
Transfer in	<u>383,000</u>	<u>383,000</u>	<u>383,000</u>	<u>-</u>
Total other financing sources (uses):	<u>383,000</u>	<u>383,000</u>	<u>383,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (37,853)</u>	<u>\$ (37,853)</u>	42,457	<u>\$ 80,310</u>
Fund balances - beginning - Budget and GAAP basis			<u>90,888</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 133,345</u>	

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Capital Project Funds
Year Ended June 30, 2014

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Property taxes	\$ 1,655,000	\$ 1,655,000	\$ 1,767,100	\$ 112,100
Earnings on investments	-	-	-	-
Miscellaneous	<u>95,500</u>	<u>95,500</u>	<u>72,537</u>	<u>(22,963)</u>
Total revenues	<u>1,750,500</u>	<u>1,750,500</u>	<u>1,839,637</u>	<u>89,137</u>
Expenditures:				
Capital outlay	<u>2,130,000</u>	<u>3,355,000</u>	<u>2,504,274</u>	<u>850,726</u>
Total expenditures	<u>2,130,000</u>	<u>3,355,000</u>	<u>2,504,274</u>	<u>850,726</u>
Excess of revenues over (under) expenditures	<u>(379,500)</u>	<u>(1,604,500)</u>	<u>(664,637)</u>	<u>939,863</u>
Other financing sources (uses):				
Transfer in	-	-	809,221	809,221
Transfer out	<u>(383,000)</u>	<u>(383,000)</u>	<u>(383,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>(383,000)</u>	<u>(383,000)</u>	<u>426,221</u>	<u>809,221</u>
Net change in fund balances	<u>\$ (762,500)</u>	<u>\$ (1,987,500)</u>	(238,416)	<u>\$ 1,749,084</u>
Fund balances - beginning - Budget and GAAP basis			<u>5,204,996</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 4,966,580</u>	



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

Board of Trustees
Dickinson Public School District
Dickinson, North Dakota 58602

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Dickinson Public School District, Dickinson, North Dakota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Dickinson Public School District, Dickinson, North Dakota's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

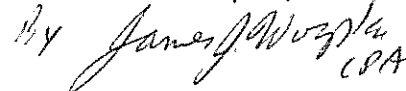
Compliance and Other Matters

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

Purpose of this Report

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

James J. Wosepka, PC

By  CPA

Beach, North Dakota
October 22, 2014



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Dickinson Public School District
Dickinson, North Dakota 58602

Report on Compliance for Each Major Federal Program

We have audited Dickinson Public School District, Dickinson, North Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dickinson Public School District, Dickinson, North Dakota's major federal programs for the year ended June 30, 2014. Dickinson Public School District, Dickinson, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dickinson Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dickinson Public School District, Dickinson, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Dickinson Public School District, Dickinson, North Dakota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Dickinson Public School District, Dickinson, North Dakota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dickinson Public School District, Dickinson, North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dickinson Public School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James J. Wosepka, PC

By James J. Wosepka, PC

Beach, North Dakota
October 22, 2014

**DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's Report expresses an unmodified opinion on the financial statements for the Dickinson Public School District.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Dickinson Public School District were disclosed during the audit.
4. No significant deficiencies in internal control over major federal awards were disclosed during the audit.
5. The Auditor's Report on compliance for the major federal award programs for the Dickinson Public School District expresses an unmodified opinion on all major federal programs.
6. Our audit showed no findings relative to the major federal award program required to be reported under Section 510(a) of OMB Circular A-133 for the Dickinson Public School District.
7. The programs tested as major programs include: Title I, Grants to LEA's CFDA # 84.010, Special Education, Title IDEA-B CFDA #'s 84.027 and 84.173, Title IIA – Teacher and Principal Quality Training and Recruiting CFDA # 84.367, and U.S. Department of Agriculture School Food Service CFDA # 10.555, 10.550, and 10.582.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Dickinson Public School District is determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

D. SCHOOL DISTRICT'S RESPONSE

N/A

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Expenditures Federal Awards
Year Ended June 30, 2014

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Public Instruction:			
Food Distribution	10.550	45001-06	\$ 80,930 *
National School Lunch Program	10.555	45001-06	426,759 *
Fresh Fruits and Vegetables Program	10.582	45001-06	25,795 *
Total U.S. Department of Agriculture			<u>533,484</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Vocational Education:			
Carl Perkins	84.048		53,119
Passed through State Department of Public Instruction:			
Adult Education	84.002	45001-06	33,000
Title I, Grants to LEA's	84.010	45001-06	658,202 *
Special Education, Title IDEA - B	84.027A	45001-06	710,404 *
Title IIA - Teacher & Principal Quality Training and Recruiting	84.367	45001-06	322,074 *
Special Education, Preschool Grants	84.173	45001-06	17,969 *
21st Century Community Learning Centers	84.287	45001-06	27,666
Total U.S. Department of Education			<u>1,822,434</u>
<u>U.S. Department of Health & Human Services</u>			
Passed through State Department of Health & Human Services:			
Medicaid	93.714		43,584
Total U.S. Department of Health and Human Services			<u>43,584</u>
Total Federal Financial Assistance			\$ <u><u>2,399,502</u></u>

*Major program or cluster as defined in OMB Circular A-133

The notes to the financial statements are an integral part of this schedule.

**DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014**

1. Purpose of the schedule

The Schedule of Expenditures of Federal Awards (schedule) is a supplementary schedule to the financial statements and is presented for purposes of additional analysis. The schedule is required by the U.S. Office of management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Summary of significant accounting policies

A. Basis of presentation

Federal financial assistance

Pursuant to the Single Audit Act Amendment of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursements for services rendered to individuals. Accordingly, nonmonetary federal assistance may be included in federal financial assistance and therefore, may be reported on the schedule. Dickinson Public School District received \$80,930 in nonmonetary federal assistance during 2014. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of federal domestic assistance

OMB Circular A-133 requires the schedule to show the total expenditures for each of the federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Federal financial assistance programs which have not been assigned a CFDA number are indicated with an "N/A".

B. Major programs

The Single Audit Act Amendment of 1996 and OMB Circular A-133 established the levels of expenditures to be used in defining major federal financial assistance programs. The dollar threshold to distinguish type A and type B programs was \$300,000.

**DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
JUNE 30, 2014**

C. Reporting entity

The schedule includes all federal financial assistance programs administered by the District.

D. Basis of accounting

Federal financial assistance expenditures included in the schedule is reported using the same basis of accounting as disclosed in Note 1 of the basic financial statements.

E. Matching costs

The schedule does not include matching expenditures.