

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2015**

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**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2015**

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**Dickinson Public School District #1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

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, 2015. 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, 2014 through June 30, 2015.

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 2014-2015 and the prior year 2013-2014 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 2014-2015 fiscal year include the following:

BRIEF DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

• Statement of Net Position	FY 2014	FY 2015
<u>Assets</u>		
Cash	\$15,592,725	\$27,441,004
Taxes/Receivable	55,737	35,729
Due from other governments	1,245,290	1,529,968
Capital assets not being deprec.	141,903	5,020,567
Capital assets being deprec.	21,515,580	21,701,717
TOTAL ASSETS	38,551,235	55,728,985
<u>Liabilities</u>		
Accounts payable	979,726	1,036,369
Liabilities due within one year	656,176	972,442
Due in more than one year	5,988,214	45,216,252
TOTAL LIABILITIES	7,624,116	47,225,063

<u>Net Position</u>		
Investment in capital assets	15,262,483	11,067,284
Unrestricted	10,501,123	-19,185,081
Restricted	5,163,513	16,621,719
TOTAL NET POSITION	\$30,927,119	\$8,503,922

GENERAL FUND

- General Fund (01) revenues increased by \$4,286,321. This represents a 12.2% increase from the previous fiscal year. Revenues received for 2014-2015 were 2.2% 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 increased by \$6,991,332. This represents a 21.85% increase from the previous fiscal year. The most notable reason for this increase was due to a large transfer to Capital Projects for the construction of a new wing of Prairie Rose Elementary which opened in the Fall of 2015, a transfer to Food Services for deficit recovery, and the purchase of land for the new middle school site of \$1,350,000. Expenditures in 2014-2015 were within 1% of the approved budget.
- The General Fund (01) balance ended the year at \$11,318,695 compared to \$10,713,620 in 2013-2014. The interim fund balance is 27.2% of the General Fund (01) expenditures for 2014-2015. This is a decreased percentage of -4.5% from the previous year and is considered a solid balance for the District's needs.

On pages v and vi of this audit report, general operations revenues and expenditures are displayed numerically and graphically for the 2014-2015 fiscal year.

BUILDING FUND

- The most significant building fund project was the completion of the new wing at Prairie Rose Elementary. This addition added six regular classrooms, office space, and a multi-purpose room. The construction for this addition began in the late spring 2014 and was completed in late July of 2015.
- The new middle school project received a lot of time, energy, and funding as that construction held groundbreaking in the spring of 2015. This \$65,000,000 project will continue to the Fall of 2017 for completion.
- Other building fund projects included: resurfacing the bus loop at Heart River, paving at DHS and the Central Office, re-roofing of the 500, 600, and 700 pods at DHS, carpeting, new windows at Heart River, and other maintenance issues.
- The Building Fund balance had \$14,462,959 at the end of the fiscal year. This balance does contain include partial funds for the new middle school 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 six sinking and interest repayment accounts that are active. Two of those older debts (balance due \$420,000) will be paid in full in May of 2017. Two other debt service balances are in relation to the Prairie Rose Elementary project. \$4,965,000 in principal will be due for that project. Finally, bond sales of \$35,000,000 were conducted for the new middle school project in December of 2014 and July of 2015.
- As of June 30, 2015 the total debt for the District totaled \$15,655,000 not including the July bond sale of \$25,000,000. A spreadsheet with the details of this debt has been provided to the auditors.
- A school construction loan of \$10,000,000 and one additional bond sale of \$20,000,000 will both be executed during the 2015-2016 school year for the construction of the new middle school project. Final costs will be determined in late 2015.

CAPITAL ASSETS

- For the year ending June 30, 2014 Dickinson Public Schools had an ending balance of \$21,657,483 in capital assets. At the end of the 2015 fiscal year, the ending balance was \$26,722,284. Significant changes to our capital assets during fiscal year 2015 included land acquisition (middle school), six buses, two tractors, ten copiers, and a pickup truck. These fixed assets added \$791,580 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 \$76,850. Revenues increased \$126,101 from 2013-2014 to 2014-2015 including a \$200,000 transfer from the general fund. This left a food services fund balance of \$79,579. The price of student meals was increased by 10 cents for the 2015-2016 school year. Food Services of America will be the primary vendor for 2015-2016.

STUDENT ACTIVITIES FUND

- The ending balance of the many student activity accounts was \$1,249,203. There were 113 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 \$592,656.
- 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 12½ years. The 2014-2015 fiscal year showed a gain of \$47,125. Claims for the year were \$325,441 more than the previous year, and revenues increased by \$366,443. The

fund did end the year in the black with a balance of \$830,233. Our premiums continue to be slightly lower than NDPERS and other local health insurance plans. A premium increase of 8% in October 2015 is expected which should keep the District at the suggested funding level of Blue Cross Blue Shield. High claims continue to be an issue with our insurance group. In the past year nine members incurred 41.5% of our total claims due to high claims. High claims are those over \$75,000 in a given health year.

ENROLLMENT TRENDS

- 2014-2015 brought an unexpected loss of students during the year due to economic shifts in the energy sector of employment. During the school year, the District lost 120 students. However our Fall enrollment showed an increase of 34 students compared to the Fall of 2014. This was largely due to a kindergarten class of 309 while 174 seniors graduated in the Spring of 2015. At this time, our enrollment appears to be stable.

GROWTH IN LOCAL TAX BASE & PROPERTY TAX RELIEF

- The taxable valuation of the Dickinson Public School District is expected to grow by an estimated 23% at the end of 2015. This growth will increase the value of a mill, thus increasing the possibility to generate more local revenue through property taxes. \$7,536,135 was collected in property taxes for 2014-2015. 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 55 mills which will now include mills for old debt service repayment. The estimated 2014-2015 mill levy for all mills is expected to increase 3.6 mills. This increase is solely due to the voter approved bond referendum for the new middle school project. Dickinson Public Schools continues to be the lowest taxing school district of the ten largest class A schools in North Dakota.

STAFFING NEEDS

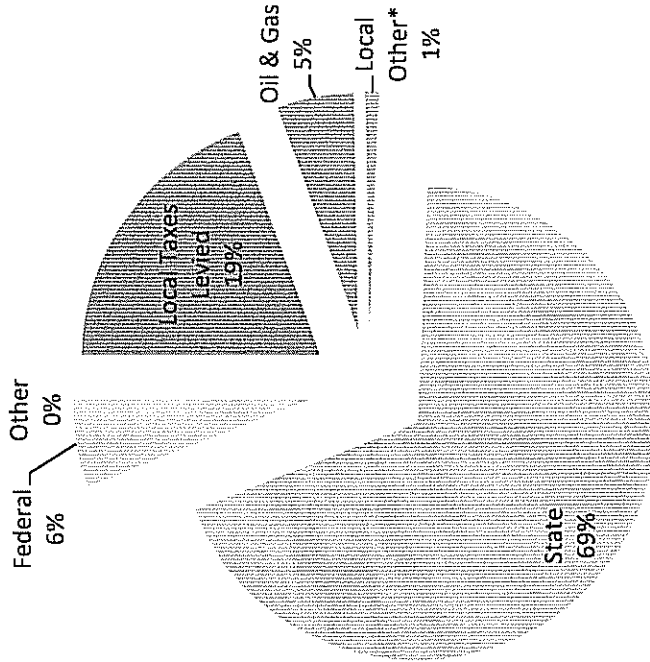
- The District continues to have an active amount of hiring in both the certified and classified employee sectors. Over 30 new teachers were hired for the 2015-2016 school year. Fifty percent (50%) of our teachers now have been in the District five years or less. It is anticipated that the District will need to increase their numbers of new positions in the K-5 buildings due to larger class sizes moving forward.
- 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. The District did have four areas where they were unable to fill positions. These were English Language Learners, Speech Language Pathologists, School Psychologists, and Early Childhood Center Instructors.

Dickinson Public Schools

General Fund Revenue

2014-2015

2013-2014 Revenue



Sources of Revenue	Amount	% of Total
Local Taxes Levied	\$7,656,898	19.4%
Oil & Gas	\$2,052,083	5.2%
Local Other*	\$361,437	0.9%
State	\$26,992,776	68.5%
Federal	\$2,359,030	6.0%
Other	\$0	0.0%
Total	\$39,422,224	100%

*Tuition, Fees, Interest Earned Etc.

DETAIL BREAKDOWN

Percent of Total Above

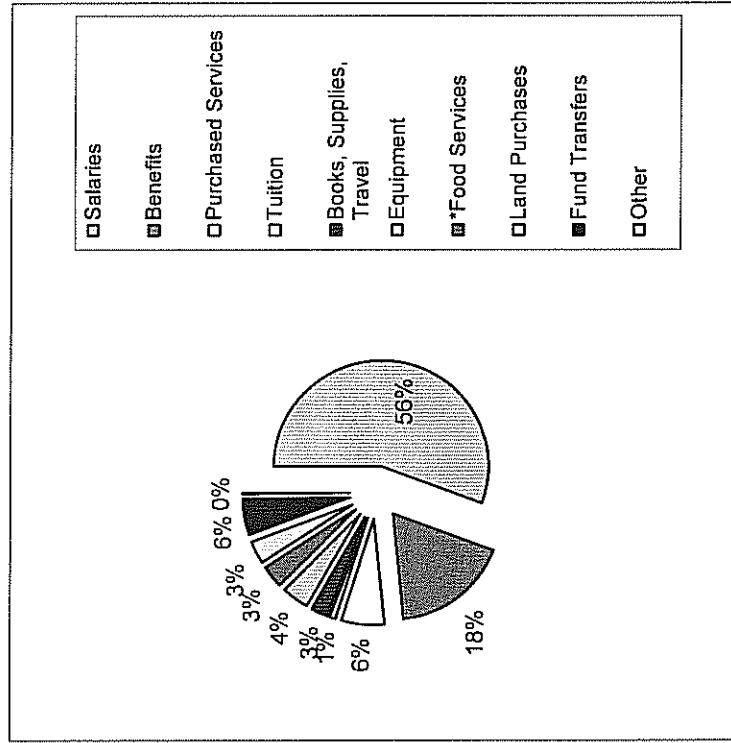
LOCAL:

Source	Amount	Percent of Total Above
Taxes Levied	\$6,959,950	17.65%
Tuition	\$48,992	0.12%
Interest Earned	\$24,017	0.06%
Driver's Ed & Transportation Fee	\$26,113	0.07%
RASP Parent Fees	\$83,242	0.21%
Misc.	\$116,462	0.30%
Total	\$7,258,776	18.4%

Dickinson Public Schools

General Operation Expenditures

2014-2015



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

DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2015

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, 2015, 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, 2015, 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 34-36 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 21, 2015, 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 *James J. Wosepka*
CMA

Beach, North Dakota
October 21, 2015

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 27,441,004
Taxes/assessments receivable	35,729
Due from other governments	1,529,968
Capital assets not being depreciated	
Land	1,491,903
Construction in progress	3,528,664
Capital assets being depreciated (net of accumulated depreciation)	21,701,717
Total Assets	55,728,985
LIABILITIES	
Accounts payable and other current liabilities	1,036,369
Noncurrent liabilities:	
Due within one year	972,442
Due in more than one year	45,216,252
Total Liabilities	47,225,063
NET POSITION	
Net investment in capital assets	11,067,284
Unrestricted	(19,185,081)
Restricted	16,621,719
Total Net Position	\$ 8,503,922

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, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services, Fines, Forfeitures, etc.	Operating Grants and Contributions	
Salaries	\$ 22,476,128	\$ -	-	\$ (22,476,128)
Employee benefits	4,561,285	-	-	(4,561,285)
Purchased services	2,396,784	-	-	(2,396,784)
Supplies	1,556,895	-	-	(1,556,895)
Equipment	952,491	-	-	(952,491)
Other	103,654	-	-	(103,654)
Capital outlay	626,183	-	-	(626,183)
Debt service	118,176	-	-	(118,176)
Food service	1,420,569	800,391	447,651	(172,527)
Bond issue costs	80,260	-	-	(80,260)
Unallocated depreciation	583,450	-	-	(583,450)
Total governmental activities	\$ 34,875,875	\$ 800,391	\$ 447,651	(33,627,833)
General revenues:				
Property taxes				11,323,443
Restricted Federal/State revenues				3,044,090
Unrestricted Federal/State shared revenues				29,544,636
Unrestricted investment earnings				33,227
Bond premium				133,126
Total general revenues and transfers				44,078,522
Change in net position				10,450,689
Total net position - July 1, 2014				30,927,119
Prior period restatement				(32,873,886)
Restated net position - July 1, 2014				(1,946,767)
Total net position - June 30, 2015				\$ 8,503,922

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

DICKINSON PUBLIC SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

Description	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects	Food Service	Total	
ASSETS						
Cash and cash equivalents	\$ 11,016,658	\$ 1,971,707	\$ 14,358,833	\$ 93,806	\$	\$ 27,441,004
Tax/assessment receivable	29,918	1,543	4,268	-	-	35,729
Due from other governments	1,324,179	101,663	104,126	-	-	1,529,968
Total Assets	12,370,755	2,074,913	14,467,227	93,806	93,806	29,006,701
LIABILITIES						
Accounts payable	1,022,142	-	-	14,227	-	1,036,369
Total Liabilities	1,022,142	-	-	14,227	14,227	1,036,369
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	29,918	1,543	4,268	-	-	35,729
FUND BALANCES						
Restricted	-	2,073,370	14,462,959	79,579	-	16,615,908
Assigned	-	-	-	-	-	-
Unassigned	11,318,695	-	-	-	-	11,318,695
Total Fund Balances	11,318,695	2,073,370	14,462,959	79,579	79,579	27,934,603
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,370,755	\$ 2,074,913	\$ 14,467,227	\$ 93,806	\$ 93,806	\$ 27,934,603

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.

Other long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.

Long-term liabilities, including bonds and pensions payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net position - governmental funds

	26,722,284
	35,729
	(46,188,694)
\$	8,503,922

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, 2015

Description	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects	Food Service		
REVENUES						
Property taxes	\$ 7,711,216	\$ 2,277,457	\$ 1,354,778	\$ -	\$ -	11,343,451
Earnings on investments	25,791	-	7,436	-	-	33,227
School lunch sales	-	-	-	800,391	-	800,391
Other local sources	2,387,728	-	737,630	-	-	3,125,358
State revenue	27,095,177	-	-	15,508	-	27,110,685
Federal aid	2,368,192	-	-	432,142	-	2,800,334
Total Revenues	39,588,104	2,277,457	2,099,844	1,248,041	1,248,041	45,213,446
EXPENDITURES						
Current:						
Salaries	22,455,843	-	-	-	-	22,455,843
Employee benefits	7,171,152	-	-	-	-	7,171,152
Purchased services	2,412,739	-	-	-	-	2,412,739
Supplies	1,556,895	-	-	-	-	1,556,895
Equipment	3,079,441	-	-	-	-	3,079,441
Food service	-	-	-	1,413,206	-	1,413,206
Other	103,654	-	-	-	-	103,654
Capital outlay	-	-	4,138,892	-	-	4,138,892
Debt service	-	723,176	-	-	-	723,176
Total Expenditures	36,779,724	723,176	4,138,892	1,413,206	1,413,206	43,054,998
Excess of revenues (under) over expenditures	2,808,380	1,554,281	(2,039,048)	(165,165)	(165,165)	2,158,448
OTHER FINANCING SOURCES (USES)						
Bond issue cost	-	-	(80,260)	-	-	(80,260)
Bond premium	-	-	133,126	-	-	133,126
Bond proceeds	-	-	9,865,000	-	-	9,865,000
Transfers in	-	365,744	2,003,305	200,000	-	2,569,049
Transfers out	(2,203,305)	-	(385,744)	-	-	(2,589,049)
Total other financing sources (uses)	(2,203,305)	365,744	11,535,427	200,000	200,000	9,917,866
Net change in fund balances	605,075	1,940,025	9,496,379	34,835	34,835	12,076,314
Fund balances - July 1, 2014	10,713,620	133,345	4,966,580	44,744	44,744	15,858,289
Fund balances - June 30, 2015	\$ 11,318,695	\$ 2,073,370	\$ 14,462,959	\$ 79,579	\$ 79,579	\$ 27,934,603

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, 2015

Net change in fund balances - total governmental funds (page 8)	\$ 12,076,314
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	5,655,614
Depreciation expense	<u>(590,813)</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	(20,008)
Bond proceeds	<u>(9,865,000)</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>605,000</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, early retirement buyouts, and pensions	<u>2,589,582</u>
Change in Net Position in Governmental Activities	\$ <u>10,450,689</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, 2015

Description	Trust Funds Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 1,249,203
Total Assets	1,249,203
LIABILITIES	
Due to other governments	-
Total Liabilities	-
NET POSITION	
Held for student activities	\$ 1,249,203

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, 2015

Description	Trust Funds
	Private Purpose Trust Funds
ADDITIONS:	
Student activities revenue	\$ 1,377,757
Interest earnings	485
Total Additions	1,378,242
DEDUCTIONS:	
Student activities	1,313,901
Total Deductions	1,313,901
Change in net position	64,341
Total net position - July 1, 2014	1,184,862
Total net position - June 30, 2015	\$ 1,249,203

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, 2015

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

The District is a special purpose government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. In evaluating how to define the District, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in accounting principles generally accepted in the United States of America. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the District) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the District's reporting entity, none have been included in the District's reporting entity. Consequently, the District's financial statements present only the funds of those organizational entities for which its elected governing board is financially accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of Interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type*

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

activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

Major Governmental Funds

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.

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.

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

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.
- **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	-	2,073,370	-	-	2,073,370
Food Service	-	-	-	79,579	79,579
Capital Projects	-	-	14,462,959	-	14,462,959
Unassigned	11,318,695	-	-	-	11,318,695
Total Fund Balances	\$ <u>11,318,695</u>	\$ <u>2,073,370</u>	\$ <u>14,462,959</u>	\$ <u>79,579</u>	\$ <u>27,934,603</u>

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

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

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 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.

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

Implementation of GASB Pronouncements

In June 2012, GASB issued revised pension accounting and reporting guidance for governmental employers, *Accounting and Financial Reporting for Pensions*. This revised guidance is effective for periods beginning after June 15, 2014, and will require cost-sharing employers like the District to recognize their proportionate share of the collective pension expense, deferred inflows and outflows of resources, and the net pension liabilities related to the District's participation in the ND Teachers Fund for Retirement and Public Employees Retirement systems.

2. **Restatement**

The District adopted GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. This Statement establishes standards of financial reporting and specifies the required approach to measuring pension liability of employers for benefits provided through the pension plan. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This financial report has been updated in accordance with GASB Statement No. 67.

Related to its implementation of GASB Statement No. 67, the District elected to implement the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, for the Employees' Pension Plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement also requires enhanced not disclosures that will be presented by the pension plans that are within its scope.

The implementation of GASB Statement No. 68 had the following effect:

	Governmental Activities
Net position, June 30, 2014	\$ 30,927,119
Recognition of net pension liabilities	<u>(32,873,886)</u>
Restated net position, June 30, 2014	<u>\$ (1,946,767)</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 becomes available. Available means then due or past due and receivable within the

3. **Taxes Receivable – cont.**

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 unearned 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, 2015, the carrying amount of the District's deposits (cash and money markets) was \$28,690,208 and the bank balance was \$29,931,795. 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	\$	364,360
Due from County Treasurer		<u>525,896</u>
	\$	<u><u>890,256</u></u>

6. Pending Litigation

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

7. Commitments

The District has signed contracts with an architect firm and a building management firm for the construction of a new middle school. The fee for the architect firm will be 7.5% of the construction cost and the building management fee will be 3.25% of the construction cost. Bids have not yet been awarded on the construction of the school.

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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Accrued vacation and early retirement buyouts	\$ <u>249,390</u>	\$ <u>20,285</u>	\$ <u>51,176</u>	\$ <u>218,499</u>	\$ <u>17,442</u>

Long-term liability activity for the year ended June 30, 2015 is as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bond 2014	\$ -	\$ 9,865,000	\$ -	\$ 9,865,000	\$ 340,000
General obligation bond 2011	4,360,000	-	310,000	4,050,000	310,000
Tax levy bond 2011	1,410,000	-	90,000	1,320,000	95,000
General obligation bond 2010	315,000	-	105,000	210,000	105,000
Limited tax levy bond 2010	310,000	-	100,000	210,000	105,000
	<u>6,395,000</u>	<u>9,865,000</u>	<u>605,000</u>	<u>15,655,000</u>	<u>955,000</u>
Compensated absences	143,465	20,285	-	163,750	-
Early retirement payable	105,925	-	51,176	54,749	17,442
Pensions payable	32,873,886	-	2,558,691	30,315,195	-
	<u>33,123,276</u>	<u>20,285</u>	<u>2,609,867</u>	<u>30,533,694</u>	<u>17,442</u>
Total government activity long-term liabilities	\$ <u>39,518,276</u>	\$ <u>9,885,285</u>	\$ <u>3,214,867</u>	\$ <u>46,188,694</u>	\$ <u>972,442</u>

9. Long-term Debt – cont.

The District issued \$9,865,000 General Obligation School Building Bonds, Series 2014 on December 30, 2014. The Bonds mature from August 1, 2015 to August 1, 2034, with interest rates from 2% to 3.25%. The Bonds sold for \$9,998,126 which included a premium of \$133,126. The cost of issuing the Bonds was \$80,260, for net proceeds of \$9,917,866.

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:

2016	\$	17,442
2017		17,442
2018		15,989
2019		3,876
	\$	<u>54,749</u>

The annual requirements to amortize all general obligation and tax levy bonds outstanding as of June 30, 2015, including interest payments, are as follows:

Year ended June 30	Principal	Interest	Total
2016	\$ 955,000	\$ 409,539	\$ 1,364,539
2017	870,000	356,298	1,226,298
2018	685,000	340,810	1,025,810
2019	710,000	329,269	1,039,269
2020	735,000	316,430	1,051,430
	<u>3,955,000</u>	<u>1,752,346</u>	<u>5,707,346</u>
2021-2025	4,190,000	1,374,369	5,564,369
2026-2030	3,770,000	843,367	4,613,367
2031-2035	3,740,000	319,311	4,059,311
	<u>\$ 15,655,000</u>	<u>\$ 4,289,393</u>	<u>\$ 19,944,393</u>

The District has been approved for a \$10,000,000 school construction loan from the Bank of North Dakota. To date, the District has not borrowed any of these funds.

10. Transfers

During the fiscal year ended June 30, 2015, several equity transfers were made. The following is a schedule of those transfers:

Fund	Amount	Reason
Debt Service	\$ 385,744	General operating transfers
Capital Projects	(385,744)	General operating transfers
General	(2,203,305)	General operating transfers
Capital Projects	2,003,305	General operating transfers
Food Service	200,000	General operating transfers

11. Statewide Retirement Plans

North Dakota Teachers Fund for Retirement

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Teachers 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.

11. Statewide Retirement Plans – cont.

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either

11. Statewide Retirement Plans – cont.

case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

11. Statewide Retirement Plans – cont.

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

At June 30, 2015, the Employer reported a liability of \$27,192,194 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2014, the Employer's proportion was 2.595114 percent.

For the year ended June 30, 2014, the Employer recognized pension expense of \$1,652,921. At June 30, 2014, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,921	\$ 3,089,096
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	2,215,574	-
Total	\$ 2,423,495	\$ 3,089,096

\$2,423,495 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

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

Year ended June 30:	
2016	\$ (737,621)
2017	(737,621)
2018	(737,621)
2019	(737,621)
2020	34,653
Thereafter	34,653

11. Statewide Retirement Plans – cont.

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

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

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

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

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

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, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are

11. **Statewide Retirement Plans – cont.**

not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (7%)	Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 36,714,507	\$ 27,192,194	\$ 19,183,651

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

Public Employees Retirement System

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

11. **Statewide Retirement Plans – cont.**

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

11. **Statewide Retirement Plans – cont.**

Refunds of Member Account Balance

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

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

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

Member and Employer Contributions

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

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

At June 30, 2015, the Employer reported a liability of \$3,123,001 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014, the Employer's proportion was 0.492027 percent.

For the year ended June 30, 2014, the Employer recognized pension expense of \$309,005. At June 30, 2014, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

11. **Statewide Retirement Plans – cont.**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,252	\$ 609,622
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	343,117	-
Total	<u>\$ 444,369</u>	<u>\$ 609,622</u>

\$444,369 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

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

Year ended June 30:	
2016	\$ (130,863)
2017	(130,863)
2018	(130,863)
2019	(130,863)
2020	15,080
Thereafter	-

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

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

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

11. Statewide Retirement Plans – cont.

experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
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, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 4,816,589	\$ 3,123,001	\$ 1,706,927

11. **Statewide Retirement Plans – cont.**

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

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

	2015
Employer's proportion of the net pension liability (asset)	0.492027%
Employer's proportionate share of the net pension liability (asset)	\$3,123,001
Employer's covered-employee payroll	\$4,144,736
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	72.12%

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

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

	2015
Statutorily required contribution	\$2,039,322
Contributions in relation to the statutorily required contribution	\$343,117
Contribution deficiency (excess)	\$2,382,439
Employer's covered-employee payroll	\$4,144,736
Contributions as a percentage of covered-employee payroll	57.48%

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

12. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 141,903	\$ 1,350,000	\$ -	\$ 1,491,903
Construction in progress	-	3,528,664	-	3,528,664
Total capital assets, not being depreciated	<u>141,903</u>	<u>4,878,664</u>	<u>-</u>	<u>5,020,567</u>
Capital assets, being depreciated:				
Buildings and improvements	28,627,266	-	-	28,627,266
Furniture and equipment	3,404,391	791,580	100,905	4,095,066
Total capital assets, being depreciated	<u>32,031,657</u>	<u>791,580</u>	<u>100,905</u>	<u>32,722,332</u>
Accumulated depreciation for:				
Buildings and improvements	(8,023,986)	(310,907)	-	(8,334,893)
Furniture and equipment	(2,492,091)	(279,906)	86,275	(2,685,722)
Total accumulated depreciation	<u>(10,516,077)</u>	<u>(590,813)</u>	<u>86,275</u>	<u>(11,020,615)</u>
Total capital assets, being depreciated, net	<u>21,515,580</u>			<u>21,701,717</u>
Governmental activities capital assets, net	<u>\$ 21,657,483</u>			<u>\$ 26,722,284</u>
Depreciation expense was charged to:				
Unallocated	\$ 583,450			
Food service	7,363			
	<u>\$ 590,813</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 \$3,822,394 for the year ended June 30, 2015 and consisted of paid claims, stop-loss premiums, and administrative fees. As of June 30, 2015, an estimated liability for incurred, but not reported claims of approximately \$830,233 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, 2014	\$	782,496
Funds into the plan		3,870,131
Claims paid		<u>(3,822,394)</u>
Cash balance June 30, 2015	\$	<u>830,233</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. **Subsequent Events**

On August 4, 2015, the District issued \$25,000,000 General Obligation School Building Bonds, Series 2015, with interest rates of 3% to 4%, maturing August 1, 2035.

In July 2015, the District purchased a building for \$600,000 next to the current Bus Barn.

**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, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 7,720,000	\$ 7,720,000	\$ 7,711,216	\$ (8,784)
Earnings on investments	20,000	20,000	25,791	5,791
Other local sources	2,269,500	2,269,500	2,387,728	118,228
State revenue	26,111,964	26,111,964	27,095,177	983,213
Federal aid	2,467,846	2,467,846	2,368,192	(99,654)
Total revenues	<u>38,589,310</u>	<u>38,589,310</u>	<u>39,588,104</u>	<u>998,794</u>
Expenditures:				
Current:				
Salaries	22,536,764	22,536,764	22,455,843	80,921
Employee benefits	7,285,771	7,285,771	7,171,152	114,619
Purchased services	2,609,496	2,609,496	2,412,739	196,757
Supplies	2,122,409	2,122,409	1,556,895	565,514
Equipment	2,252,332	3,663,022	3,079,441	583,581
Other	347,124	347,124	103,654	243,470
Total expenditures	<u>37,153,896</u>	<u>38,564,586</u>	<u>36,779,724</u>	<u>1,784,862</u>
Excess of revenues over (under) expenditures	<u>1,435,414</u>	<u>24,724</u>	<u>2,808,380</u>	<u>2,783,656</u>
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	(1,435,414)	(1,435,414)	(2,203,305)	(767,891)
Total other financing sources (uses):	<u>(1,435,414)</u>	<u>(1,435,414)</u>	<u>(2,203,305)</u>	<u>(767,891)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,410,690)</u>	605,075	<u>\$ 2,015,765</u>
Fund balance - beginning - Budget and GAAP basis			<u>10,713,620</u>	
Fund balance - ending - Budget and GAAP basis			<u>\$ 11,318,695</u>	

**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

JUNE 30, 2015

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	\$	4,599,500	\$ 500,000	\$ 5,099,500
General	\$	38,589,310	\$ 1,410,690	\$ 40,000,000

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 assignments 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, 2015, 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, 2015

	<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	788,800	788,800	800,391	11,591
State revenue	37,600	37,600	15,508	(22,092)
Federal aid	482,000	482,000	432,142	(49,858)
Total revenues	<u>1,308,400</u>	<u>1,308,400</u>	<u>1,248,041</u>	<u>(60,359)</u>
Expenditures:				
Food service	<u>1,689,823</u>	<u>1,689,823</u>	<u>1,413,206</u>	<u>276,617</u>
Total expenditures	<u>1,689,823</u>	<u>1,689,823</u>	<u>1,413,206</u>	<u>276,617</u>
Excess of revenues over (under) expenditures	<u>(381,423)</u>	<u>(381,423)</u>	<u>(165,165)</u>	<u>216,258</u>
Other financing sources (uses):				
Transfer in	-	-	200,000	200,000
Transfer out	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Net change in fund balances	<u>\$ (381,423)</u>	<u>\$ (381,423)</u>	34,835	<u>\$ 416,258</u>
Fund balances - beginning - Budget and GAAP basis			<u>44,744</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 79,579</u>	

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Debt Service Fund
Year Ended June 30, 2015

	<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	\$ 2,350,350	\$ 2,350,350	\$ 2,277,457	\$ (72,893)
Earnings on investments	-	-	-	-
Other	-	-	-	-
Total revenues	<u>2,350,350</u>	<u>2,350,350</u>	<u>2,277,457</u>	<u>(72,893)</u>
Expenditures:				
Debt service	<u>779,376</u>	<u>779,376</u>	723,176	56,200
Total expenditures	<u>779,376</u>	<u>779,376</u>	<u>723,176</u>	<u>56,200</u>
Excess of revenues over (under) expenditures	<u>1,570,974</u>	<u>1,570,974</u>	<u>1,554,281</u>	<u>(16,693)</u>
Other financing sources (uses):				
Transfer in	<u>390,000</u>	<u>390,000</u>	385,744	(4,256)
Total other financing sources (uses):	<u>390,000</u>	<u>390,000</u>	<u>385,744</u>	<u>(4,256)</u>
Net change in fund balances	<u>\$ 1,960,974</u>	<u>\$ 1,960,974</u>	1,940,025	<u>\$ (20,949)</u>
Fund balances - beginning - Budget and GAAP basis			133,345	
Fund balances - ending - Budget and GAAP basis			<u>\$ 2,073,370</u>	

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Capital Project Funds
Year Ended June 30, 2015

	<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	\$ 1,250,000	\$ 1,250,000	\$ 1,354,778	\$ 104,778
Earnings on investments	-	-	7,436	7,436
Miscellaneous	<u>753,000</u>	<u>753,000</u>	<u>737,630</u>	<u>(15,370)</u>
Total revenues	<u>2,003,000</u>	<u>2,003,000</u>	<u>2,099,844</u>	<u>96,844</u>
Expenditures:				
Capital outlay	<u>4,709,500</u>	<u>5,209,500</u>	<u>4,138,892</u>	<u>1,070,608</u>
Total expenditures	<u>4,709,500</u>	<u>5,209,500</u>	<u>4,138,892</u>	<u>1,070,608</u>
Excess of revenues over (under) expenditures	<u>(2,706,500)</u>	<u>(3,206,500)</u>	<u>(2,039,048)</u>	<u>1,167,452</u>
Other financing sources (uses):				
Bond proceeds	30,000,000	30,000,000	9,917,866	(20,082,134)
Transfer in	1,400,000	1,400,000	2,003,305	603,305
Transfer out	<u>(390,000)</u>	<u>(390,000)</u>	<u>(385,744)</u>	<u>4,256</u>
Total other financing sources (uses):	<u>31,010,000</u>	<u>31,010,000</u>	<u>11,535,427</u>	<u>(19,474,573)</u>
Net change in fund balances	<u>\$ 28,303,500</u>	<u>\$ 27,803,500</u>	9,496,379	<u>\$ (18,307,121)</u>
Fund balances - beginning - Budget and GAAP basis			<u>4,966,580</u>	
Fund balances - ending - Budget and GAAP basis			<u>\$ 14,462,959</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, 2015, 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 21, 2015.

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.

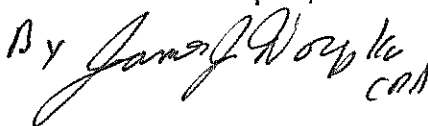
Compliance and Other Matters

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.

Beach, North Dakota
October 21, 2015

James J. Wosepka, PC
By  CA1



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Licensed in North Dakota and Montana

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, 2015. 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, 2015.

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 CPA

Beach, North Dakota
October 21, 2015

**DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

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, Carl Perkins CFDA # 84.048, Adult Education CFDA # 84.002, 21st Century Community learning Center CFDA # 84.287, and U.S. Department of Agriculture School Food Service CFDA # 10.555.
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, 2015

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	\$ 102,238
National School Lunch Program	10.555	45001-06	402,851 *
Fresh Fruits and Vegetables Program	10.582	45001-06	29,291
Total U.S. Department of Agriculture			<u>534,380</u>
<u>U.S. Department of Education</u>			
Passed through State Department of Vocational Education:			
Carl Perkins	84.048		59,912 *
Passed through State Department of Public Instruction:			
Adult Education	84.002	45001-06	35,782 *
Title I, Grants to LEA's	84.010	45001-06	597,896 *
Special Education, Title IDEA - B	84.027A	45001-06	799,543 *
Title IIA - Teacher & Principal Quality Training and Recruiting	84.367	45001-06	322,108 *
Special Education, Preschool Grants	84.173	45001-06	18,233 *
21st Century Community Learning Centers	84.287	45001-06	248,000 *
Total U.S. Department of Education			<u>2,081,474</u>
<u>U.S. Department of Health & Human Services</u>			
Passed through State Department of Health & Human Services:			
Medicaid	93.714		49,104
Passed through Community Action:			
Headstart	93.600		263,363
Total U.S. Department of Health and Human Services			<u>312,467</u>
Total Federal Financial Assistance			<u>\$ 2,928,321</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, 2015

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 \$102,238 in nonmonetary federal assistance during 2015. 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, 2015

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.