

OFFICE OF THE STATE AUDITOR

AUDIT REPORT

**DEVILS LAKE PUBLIC SCHOOL DISTRICT No. 1
DEVILS LAKE, NORTH DAKOTA**

FOR THE YEAR ENDED JUNE 30, 2014



DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

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DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

SCHOOL OFFICIALS

June 30, 2014

Steve Haldorson	President
Lee Ann Johnston	Vice-President
Veronica Nicla	Board Member
Paul Goulding	Board Member
Jeff Frith	Board Member
Scott Privratsky	Superintendent
Kathy Ellison	Business Manager

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Devils Lake Public School District No. 1
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, North Dakota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Devils Lake Public School District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, North Dakota, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on page 24 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.

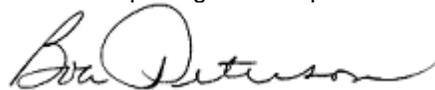
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Devils Lake Public School District No. 1's basic financial statements. The *combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statements.

The *combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, and 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 24, 2014 on our consideration of the Devils Lake Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Devils Lake Public School District No. 1's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 24, 2014

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 4,763,755
Cash with Fiscal Agent	423,442
Intergovernmental Receivable	904,222
Due from County Treasurer	136,203
Taxes Receivable	134,528
Prepaid Expenses	247,443
Capital Assets (not being depreciated):	
Land	170,100
Construction in Progress	266,068
Capital Assets (being depreciated):	
Buildings	8,945,976
Vehicles	824,171
Copy Machines	30,277
Playground Equipment	92,906
Equipment/Furniture	76,078
Total Capital Assets	\$ 10,405,576
Total Assets	\$ 17,015,169
<u>LIABILITIES</u>	
Accounts Payable	\$ 271,510
Contracts Payable	1,132,757
Salaries and Benefits Payable	711,861
Retainages Payable	33,950
Interest Payable	7,298
Long-Term Liabilities:	
Due Within One Year:	
Lease Revenue Bonds Payable	120,000
General Obligation Bonds Payable	500,000
Special Assessments Payable	16,404
Early Retirement Payable	125,270
Compensated Absences Payable	3,937
Due After One Year:	
General Obligation Bonds Payable	2,500,000
Special Assessments Payable	133,496
Early Retirement Payable	100,734
Compensated Absences Payable	35,436
Total Liabilities	\$ 5,692,653
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 7,285,576
Restricted for:	
Debt Service	1,574,160
Special Purposes	279,507
Unrestricted	2,183,273
Total Net Position	\$ 11,322,516

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Regular Instruction	\$ 8,523,760	\$ -	\$ -	\$ 248,400	\$ (8,275,360)
Special Education	1,851,245	-	1,346,620	-	(504,625)
Vocational Education	1,295,881	-	568,386	-	(727,495)
Federal Programs	1,436,478	-	1,700,967	-	264,489
District Wide Services	1,943,412	-	-	-	(1,943,412)
Administration	616,990	-	-	-	(616,990)
School Food Services	1,072,100	455,223	576,112	-	(40,765)
Operations and Maintenance	2,090,971	-	77,613	-	(2,013,358)
Transportation	803,643	82,290	503,989	-	(217,364)
Co-curricular Activities	1,487,225	97,644	-	8,157	(1,381,424)
Other Programs & Services	1,690	227,111	-	-	225,421
Interest and Fees on Long-Term Debt	77,136	-	-	-	(77,136)
Total Governmental Activities	\$ 21,200,531	\$ 862,268	\$ 4,773,687	\$ 256,557	\$ (15,308,019)
General Revenues:					
Property taxes; levied for general purposes					\$ 2,203,387
Property taxes; levied for tuition					104,710
Property taxes; levied for special reserve					94,402
Property taxes; levied for debt service					565,153
State Aid-Unrestricted					12,841,800
Interest Earnings					13,290
Miscellaneous Revenue					9,354
Total General Revenues					\$ 15,832,096
Changes in Net Position					\$ 524,077
Net Position - July 1					\$ 10,793,677
Prior Period Adjustment					4,762
Net Position - July 1, as restated					\$ 10,798,439
Net Position - June 30					\$ 11,322,516

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 3,350,336	\$ 670,392	\$ 743,027	\$ 4,763,755
Restricted Cash	-	-	423,442	423,442
Intergovernmental Receivable	904,222	-	-	904,222
Due from County Treasurer	101,876	11,671	22,656	136,203
Taxes Receivable	102,363	11,059	21,106	134,528
Prepaid Expenses	247,443	-	-	247,443
Total Assets	\$ 4,706,240	\$ 693,122	\$ 1,210,231	\$ 6,609,593
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 271,510	\$ -	\$ -	\$ 271,510
Contracts Payable	1,132,757	-	-	1,132,757
Salaries and Benefits Payable	699,373	-	12,488	711,861
Total Liabilities	\$ 2,103,640		\$ 12,488	\$ 2,116,128
<u>Deferred Inflows of Resources:</u>				
Uncollected Taxes	\$ 102,363	\$ 11,059	\$ 21,106	\$ 134,528
Total Liabilities and Deferred Inflows of Resources	\$ 2,206,003	\$ 11,059	\$ 33,594	\$ 2,250,656
<u>Fund Balances:</u>				
<u>Non-spendable for:</u>				
Prepaid Expenses	\$ 247,443	\$ -	\$ -	247,443
<u>Restricted for:</u>				
Debt Service	120,000	682,063	901,203	1,703,266
<u>Assigned to:</u>				
Special Reserve	-	-	262,752	262,752
Food Service	-	-	12,682	12,682
Unassigned:	2,132,794	-	-	2,132,794
Total Fund Balances	\$ 2,500,237	\$ 682,063	\$ 1,176,637	\$ 4,358,937
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,706,240	\$ 693,122	\$ 1,210,231	\$ 6,609,593

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total *Fund Balances* for Governmental Funds \$ 4,358,937

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

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

Cost of Capital Assets	\$ 19,545,156	
Less: Accumulated Depreciation	<u>(9,139,580)</u>	10,405,576

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds. 134,528

Long-term liabilities applicable to the school district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at June 30, 2014 are:

General Obligation Bonds Payable	\$ (3,000,000)	
Lease Revenue Bonds Payable	(120,000)	
Special Assessments Payable	(149,900)	
Interest Payable	(7,298)	
Retainage Payable	(33,950)	
Early Retirement Payable	(226,004)	
Compensated Absences Payable	<u>(39,373)</u>	<u>(3,576,525)</u>

Total Net Position of Governmental Activities \$ 11,322,516

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 2,787,195	\$ 252,859	\$ 943,752	\$ 3,983,806
State Sources	15,260,796	-	-	15,260,796
Federal Sources	1,700,967	-	576,112	2,277,079
Other Sources	-	-	537	537
Total Revenues	\$ 19,748,958	\$ 252,859	\$ 1,520,401	\$ 21,522,218
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 8,766,706	\$ -	\$ -	\$ 8,766,706
Special Education	1,836,477	-	-	1,836,477
Vocational Education	1,281,873	-	-	1,281,873
Federal Programs	1,439,423	-	-	1,439,423
District Wide Services	1,943,412	-	-	1,943,412
Administration	615,245	-	-	615,245
School Food Services	-	-	1,062,510	1,062,510
Operations and Maintenance of Plant	1,779,571	-	296,036	2,075,607
Transportation	827,636	-	-	827,636
Co-curricular Activities	1,463,375	-	-	1,463,375
Other Programs and Services	1,690	-	-	1,690
Debt Service:				
Principal	115,000	-	55,388	170,388
Interest	9,550	56,250	11,104	76,904
Trustee Fees	1,635	750	141	2,526
Total Expenditures	\$ 20,081,593	\$ 57,000	\$ 1,425,179	\$ 21,563,772
Excess (Deficiency) of Revenues Over Expenditures	\$ (332,635)	\$ 195,859	\$ 95,222	\$ (41,554)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 150,000	\$ -	\$ 80,000	\$ 230,000
Transfers Out	-	-	(230,000)	(230,000)
Total Other Financing Sources and Uses	\$ 150,000	\$ -	\$ (150,000)	\$ -
Net Change in Fund Balances	\$ (182,635)	\$ 195,859	\$ (54,778)	\$ (41,554)
Fund Balances - July 1	\$ 2,682,872	\$ 486,204	\$ 1,231,415	\$ 4,400,491
Fund Balances - June 30	\$ 2,500,237	\$ 682,063	\$ 1,176,637	\$ 4,358,937

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ (41,554)

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

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

Current Year Capital Outlay	\$ 663,472	
Capital Contributions	256,557	
Current Year Depreciation Expense	<u>(422,684)</u>	497,345

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt repayment.

Bond Principal Payments	\$ 115,000	
Special Assessment Payments	<u>55,388</u>	170,388

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Early Retirement Payable	\$ (50,607)	
Net Decrease in Compensated Absences Payable	12,649	
Net Increase in Retainage Payable	(12,271)	
Net Decrease in Interest Payable	<u>2,294</u>	(47,935)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable.

(54,167)

Change in Net Position of Governmental Activities \$ 524,077

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash	\$ 1,066,816
Prepaid Expenses	8,764
Accounts Receivable	<u>350,078</u>
Total Assets	<u>\$ 1,425,658</u>
<u>Liabilities:</u>	
Salaries and Benefits Payable	\$ 42,155
Contracts Payable	45,762
Due to Other Units	814,033
Due to Student Activities Groups	<u>523,708</u>
Total Liabilities	<u>\$ 1,425,658</u>

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Devils Lake Public School District No. 1, Devils Lake, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the school's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Devils Lake Public School District No. 1. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Devils Lake Public School District No. 1 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Devils Lake Public School District No. 1.

Based on these criteria, there is one blended component unit to be included within the Devils Lake Public School District No. 1 reporting entity.

Blended component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from this unit is combined with data from the primary government.

Devils Lake Public School Building Authority – the school board as a legally separate entity created the building authority. Its purpose is to promote the educational system of the district by providing financing (via fund raising, distribution of funds received from the Devils Lake Area Foundation, and other funds received from charitable donations/endowments) for use by the school in altering, repairing, maintaining or constructing buildings and making any improvements connected to school buildings. The school board is the governing board of the building authority.

Complete financial statements for this component unit may be obtained by writing to: Scott Privratsky, Devils Lake Public School District No. 1, 1601 College N., Devils Lake, ND 58301.

B. Basis of Presentation, Basis of Accounting

Government-wide statements: The statement of Net Position and the statement of activities display information about the primary government, Devils Lake Public School District No. 1, and the blended component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the school district's funds including its fiduciary funds and blended component unit. Separate statements for each fund category-*governmental* and *fiduciary*-are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

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

Sinking & Interest Building Bonds 2009 Fund. This fund is used to account for financial resources to be used for payment of long-term debt principal, interest and related cost of the \$2,500,000 general obligation school building bonds (series 2009).

The School District reports the following fund type:

Agency Funds. These fund accounts for assets by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the student activity funds and to other governmental units.

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of 3 months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

The school district did not have any investments during the year ended June 30, 2014.

E. Capital Assets

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

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

Asset Class	Useful Life
Land	Indefinite
Buildings	50
Improvements	10-50
Playground Equipment	20
Vehicles	15
Equipment/Furniture	10
Copy Machines	5

F. Compensated Absences

Vested or accumulated unused personal leave for qualified employees is reported in the government-wide statement of Net Position. Each teacher is credited with three days of personal leave at the beginning of each year. Each teacher is allowed to accumulate personal leave of up to a total of 7 days and teachers are paid \$100 for each unused personal day. Vested and accumulated personal leave is reported in the government-wide statement of Net Position.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as compensated absences and early retirement payable, are reported in the governmental activities statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed at the time of issuance. If amounts are not material, they are recognized in the current period.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

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

H. Fund Balances / Net Position

Fund Balances:

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the School District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy:

The Devils Lake Public School District budget committee established a minimum of 10% general fund carryover balance target several years ago to help with financial stability. The minimum of 10% fund balance is a part of the budget recommendation adopted by the school board each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$2,132,794 at June 30, 2014 represented 10.6% of FY2014 expenditures.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School District Board of Directors. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the business manager.	By business manager action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Non-spendable fund balance (general fund):

Prepaid items total \$247,443 in the general fund at June 30, 2014 representing non-spendable fund balance.

Restricted Fund Balances – consist of the following items at June 30, 2014:

Restricted fund balances are shown for debt service on the balance sheet. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (bond indentures).

General Fund (major fund) – restricted by enabling legislation (annual budget - levy):

- (a) Bond payments restricted by bond indenture in the general fund balance totaling \$120,000 at year-end;

Capital Project Fund (nonmajor fund) – restricted by enabling legislation & bond indenture):

- (a) Building authority project fund balance – restricted by bond indentures for debt service related to construction -- \$391,344;

Debt Service Funds (major/ nonmajor funds – restricted by enabling legislation - levy):

- (a) Bond payments restricted by bond indenture and specified tax levies reported in the major debt service fund (Sinking & Interest Building Bonds 2009) – consists of 2009 Qualified School Construction Bond (\$682,063);
- (b) Bond payments restricted by bond indenture and specified tax levies reported in the nonmajor debt service fund – consists of 2005 Qualified Zone Academy (\$423,442);
- (c) Special assessments levy fund balance – restricted by specified tax levy (\$86,417);

Assigned Fund Balances – consist of the following at June 30, 2014:

- (a) Food Service Fund assigned balance of \$12,682. This is used only for Food Service purposes.
- (b) Special Reserve Fund assigned balance of \$262,752 is designed to provide cash flow to the school district when general fund reserves are spent. This traditionally happens at the end of December, before the next year taxes are collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to half of the balance to the general fund to be used for any allowable purpose. For the past few years, Devils Lake PSD has not made any of these transfers from the special reserve to the general fund.

Net Position:

The Devils Lake Public School District implemented the provisions of GASB Statement No.63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2014.

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt issued to finance/construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture requirements for our capital projects/debt service.

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the district's ongoing obligations.

I. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board amended the school district budget for FY2014 as follows:

	REVENUES and TRANSFERS - IN		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u> General	\$19,843,442	\$(83,904)	\$19,759,538

	EXPENDITURES and TRANSFERS - OUT		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u> General	\$20,596,774	\$15,641	\$20,612,415

It was noted that no funds were overspent for the year ended June 30, 2014.

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

At year ended June 30, 2014, the school district's carrying amount of deposits was \$6,254,117 and the bank balances totaled \$6,694,151. Of the bank balances, \$1,258,352 was covered by Federal Depository Insurance. The remaining bank balances totaling \$5,435,799 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

Interest Rate Risk:

The School District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

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

The School District's latest bond rating obtained December 29, 2009 is A+ for the 2009 general obligation bonds

Cash with Fiscal Agent:

Cash with fiscal agent totaling \$423,442 at June 30, 2014 is an account held for the 2005 bonds.

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 5: DUE FROM COUNTY TREASURER

Due from county treasurer represents the amount of taxes collected prior to year-end by Ramsey and Benson County that remain on hand at the counties which is distributed to the school district shortly after June 30, 2014.

NOTE 6: TAXES RECEIVABLE

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

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

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

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

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

NOTE 7: PREPAID EXPENSES

Prepaid expenses consist of book purchases (paid employer's and employee's NDPERS contributions) in the general fund paid prior to year end but not received (work had not been performed by employees yet) until the next fiscal year.

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	Restated Balance July 1	Increases	Decreases	Transfers	Balance June 30
Governmental Activities:					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 170,100	\$ -	\$ -	\$ -	\$ 170,100
Construction in Progress	239,960	681,688	-	(655,580)	266,068
Total Capital assets, not being depreciated:	\$ 410,060	\$ 681,688	\$ -	\$(655,580)	\$ 436,168
<i>Capital assets being depreciated:</i>					
Buildings	\$15,865,409	\$ 95,334	\$ -	\$ 655,580	\$16,616,323
Vehicles	1,789,864	100,399	-	-	1,890,263
Copy Machines	49,151	19,253	14,522	-	53,882
Playground Equipment	146,860	23,355	-	-	170,215
Equipment/Furniture	378,306	-	-	-	378,306
Total Capital Assets, Being Depreciated	\$18,229,590	\$ 238,341	\$14,522	\$ 655,580	\$19,108,989
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$7,397,629	\$ 272,718	\$ -	\$ -	\$ 7,670,347
Vehicles	953,808	112,284	-	-	1,066,092
Copy Machines	27,350	10,777	14,522	-	23,605
Playground Equipment	69,048	8,261	-	-	77,309
Equipment/Furniture	283,584	18,644	-	-	302,228
Total Accumulated Depreciation	\$8,731,419	\$ 422,684	\$14,522	\$ -	\$ 9,139,581
Total Capital Assets Being Depreciated, Net	\$9,498,171	\$(184,343)	\$ -	\$ 655,580	\$ 9,969,408
Governmental Activities Capital Assets, Net	\$9,908,231	\$ 497,345	\$ -	\$ -	\$10,405,576

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

Governmental Activities:	Amounts
Regular Instruction	\$224,866
Special Education	18,577
Vocational Education	27,083
Administration	8,466
Food Services	10,667
Operations/Maintenance	16,925
Transportation	77,079
Co-Curricular	39,021
Total Depreciation Expense - Governmental Activities	\$422,684

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to June 30, 2014 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

NOTE 10: SALARIES, BENEFITS AND CONTRACTS PAYABLE

Salaries and contracts payable consists of salaries earned by employees and teachers but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher’s salaries as of June 30, 2014.

NOTE 11: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent amounts reported for uncollected taxes receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes receivable are measurable but not available.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds, specials, and leases) outstanding as of June 30, 2014.

NOTE 13: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended June 30, 2014, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
General Obligation Bonds	\$3,000,000	\$ -	\$ -	\$3,000,000	\$500,000
Revenue Bonds	235,000	-	115,000	120,000	120,000
Special Assessments	205,288	-	55,388	149,900	16,404
Early Retirement Payable	175,398	50,606	-	226,004	125,270
Compensated Absences *	52,022	-	12,649	39,373	3,937
TOTAL	\$3,667,708	\$50,606	\$183,037	\$3,535,277	\$765,611

* - The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding debt at June 30, 2014 consists of the following individual issues (excluding capital leases, early retirement payable and compensated absences):

General Obligation Bonds Payable:

\$2,500,000 Building Bonds of 2009, due in semi-annual installments of \$28,125 through December 2024; interest at 2.25%. \$2,500,000

\$500,000 Qualified Zone Academy Bonds of 2005, due in annual installments of \$30,000 to \$80,000 through 2015 – deposited into an escrow account; interest at 0%. 500,000

Total General Obligation Bonds Payable \$3,000,000

Special Assessments:

Special Assessments Payable represents special assessment taxes levied by the City of Devils Lake, ND, against the school district for the district's share of the benefit derived from city funded improvements. The special assessments payable are due in annual installments of varying amounts through 2028; interest at 5.5% to 7.0%. \$ 149,900

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

Revenue Bonds Payable:

\$1,175,000 2004 Revenue Refunding Bonds, due in annual installments of \$90,000 to \$120,000 through May 2015; with interest at 4.0% to 4.125%.

\$ 120,000

Debt service requirements on long-term debt (excluding early retirement payable and compensated absences payable) at June 30, 2014 are as follows:

Primary Government - Governmental Activities						
Year Ending June 30	GO Bonds Payable		Revenue Bonds		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 500,000	\$ 56,250	\$120,000	\$4,950	\$ 16,404	\$ 8,048
2016	-	56,250	-	-	16,215	7,137
2017	-	56,250	-	-	16,193	6,237
2018	-	56,250	-	-	16,193	5,338
2019	-	56,250	-	-	16,118	4,439
2020 - 2024	-	281,250	-	-	57,866	10,143
2025 - 2029	2,500,000	28,125	-	-	10,911	873
Total	\$3,000,000	\$590,625	\$120,000	\$4,950	\$149,900	\$42,215

NOTE 14: RISK MANAGEMENT

The Devils Lake Public School District No. 1 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The district pays an annual premium to NDRIF for its general liability, automobile insurance coverage and inland marine. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$131,105 for mobile equipment and portable property. The district also insures machinery and equipment with Hartford Steam Boiler Inspection and Insurance Company. Coverage is limited to \$22,030,723.

The Devils Lake Public School District No. 1 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The school district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Devils Lake Public School District No. 1 has workers compensation with the Workforce, Safety and Insurance 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.

NOTE 15: PENSION PLANS

1. North Dakota Teacher's Fund For Retirement (TFFR)

The Devils Lake Public School District No. 1 contributes to the North Dakota Teacher's Fund for Retirement (TFFR); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its certified staff. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, Box 7100, Bismarck, ND, 58507-7100.

Plan members are required to contribute 9.75% of their annual covered salary and the school district is required to contribute 10.75% of the teacher's salary. The school district has agreed to pay 100% of the member assessments. The contribution requirements of plan members and the school district are established and may be amended by the State legislature. The school district's contributions to TFFR for the fiscal years ending June 30, 2014, 2013, and 2012 were \$2,033,718, \$1,874,815, and \$1,375,965, respectively, equal to the required contributions for the year.

2. North Dakota Public Employees' Retirement System

The school district contributes to the North Dakota Public Employees' Retirement System (NDPERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its non-certified staff. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, P.O. Box 1214, West Fargo, ND, 58502-1214.

Plan members are required to contribute 7% of their annual salary. The school district is required to contribute 8.26% of the employee's salary which consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund. The school district has agreed to pay 100% of the member assessments. The contribution requirements of plan members and the school district are established and may be amended by the State Legislature. The school district's and employee's contributions to NDPERS for the years ending June 30, 2014, 2013, and 2012 were \$413,979, \$355,897, and \$269,464, respectively, equal to the required contributions for the year.

NOTE 16: POST-RETIREMENT BENEFITS

EARLY RETIREMENT AGREEMENTS

The Devils Lake Public School District offers early retirement payments to professional employees under School Board policy "Retirement Incentive for Professional Staff Members". Under this policy teachers and administrators are eligible for a pre-determined one-time payment based on a proportion of the current annual salary at the time of retirement. To be eligible for the plan an employee must meet one of the following requirements:

- Teaching employee has attained the earliest occurring of the following eligibility standards of the Teacher's Fund for retirement (TFFR) of North Dakota for a normal (unreduced service retirement: the employee has a combined age and years of service credit equal to 85 as determined by TFFR; or, the employee has attained age 65.
- Professional staff members must have completed 15 years of consecutive full-time certified employment in the school district to be eligible for retirement under NDPERS.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Notes to the Financial Statements – Continued

A liability for remaining early retirement payments at year-end left is reported in the statement of Net Position. For the year ended June 30, 2014 the school district had eight employees who received this benefit for a cost to the school district of \$226,004, of which \$125,270 is due within one year, \$82,217 is due in 2015-2016, and \$15,517 is due in 2016-2017.

NOTE 17: OPERATING LEASES

The Devils Lake Public School District leases copiers under non-cancelable operating leases. Total costs for such leases were \$19,212 for the year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

Payment	Amount
FY2015	\$19,212
FY2016	19,212
FY2017	19,212
FY2018	1,601
Total	\$59,237

NOTE 18: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2014:

Fund	Transfers In	Transfers Out
Major Fund:		
General Fund	\$150,000	\$ -
Nonmajor Funds:		
Special Reserve Fund	-	150,000
Building Fund	-	80,000
2005 Bonds	80,000	-
Total Transfers	\$230,000	\$230,000

NOTE 19: CONSTRUCTION COMMITMENTS

The school district had one construction project remaining as of June 30, 2014 for Prairie View Elementary Renovation Project. At year-end the district's commitments with contractors were as follows:

Project	Contract	Change Orders	Total Contract	Completed	Retainage	Commitment
Prairie View Elementary Remodel	\$1,052,785	\$ -	\$1,052,785	\$341,210	\$33,950	\$745,525

Retainages payable of \$33,950 at year-end represents amounts withheld from payment until completion of the project by several contractors for the Prairie View Elementary School remodeling project. The cost of this project is also being funded by an endowment fund 'Edwin Berge Fund' which has contributed up to \$250,000 for the renovations of this school. The endowment is being paid through the Devils Lake Public School District Building Authority and specifically states these funds can only be spent for renovations at the Prairie View Elementary.

NOTE 20: PRIOR PERIOD ADJUSTMENTS

The Devils Lake Public School District required prior period adjustments to capital assets and accumulated depreciation in the Statement of Net Position due to not including certain assets and improperly including other assets in the vehicle category. Net adjustments increased beginning net position by a total of \$4,762. The adjustments in summary form are included below:

Governmental Activities:	Amounts
Beginning Net Position, as previously reported	\$10,793,677
Adjustments to restate the July 1, 2013 Net Position:	
Capital Assets – Cost	3,906
Accumulated Depreciation	856
Net Position July 1, as restated	\$10,798,439

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 2,570,000	\$ 2,657,000	\$ 2,787,195	\$ 130,195
State Sources	15,245,273	15,058,728	15,260,796	202,068
Federal Sources	1,877,169	1,892,810	1,700,967	(191,843)
Other Sources	1,000	1,000	-	(1,000)
Total Revenues	\$ 19,693,442	\$ 19,609,538	\$ 19,748,958	\$ 139,420
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 8,949,585	\$ 8,949,585	\$ 8,766,706	\$ 182,879
Special Education	1,874,900	1,874,900	1,836,477	38,423
Vocational Education	1,281,705	1,281,705	1,281,873	(168)
Federal Programs	1,502,169	1,517,810	1,439,423	78,387
District Wide Services	2,005,130	2,005,130	1,943,412	61,718
Administration	613,010	613,010	615,245	(2,235)
Operations and Maintenance	1,836,150	1,836,150	1,779,571	56,579
Transportation	852,980	852,980	827,636	25,344
Co-curricular Activities	1,666,575	1,666,575	1,463,375	203,200
Other Programs & Services	14,570	14,570	1,690	12,880
Debt Service:				
Principal	-	-	115,000	(115,000)
Interest	-	-	9,550	(9,550)
Fees	-	-	1,635	(1,635)
Total Expenditures	\$ 20,596,774	\$ 20,612,415	\$ 20,081,593	\$ 530,822
Excess (Deficiency) of Revenues Over Expenditures	\$ (903,332)	\$ (1,002,877)	\$ (332,635)	\$ 670,242
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Net Changes in Fund Balances	\$ (903,332)	\$ (852,877)	\$ (182,635)	\$ 670,242
Fund Balances - July 1	\$ 1,934,639	\$ 1,934,639	\$ 2,682,872	\$ 748,233
Fund Balances - June 30	\$ 1,031,307	\$ 1,081,762	\$ 2,500,237	\$ 1,418,475

The accompanying required supplementary information notes are an integral part of this schedule

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Food Service Fund	Special Reserve	Building Fund	Special Assessments	2005 Bonds	Total Nonmajor Governmental Funds
ASSETS:						
Cash and Cash Equivalents	\$ 25,170	\$ 258,352	\$ 376,734	\$ 82,771	\$ -	\$ 743,027
Cash with Fiscal Agent	-	-	-	-	423,442	423,442
Due from County Treasurer	-	4,400	14,610	3,646	-	22,656
Taxes Receivable	-	4,073	13,576	3,457	-	21,106
Total Assets	\$ 25,170	\$ 266,825	\$ 404,920	\$ 89,874	\$ 423,442	\$ 1,210,231
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
<u>Liabilities:</u>						
Salaries & Benefits Payable	\$ 12,488	\$ -	\$ -	\$ -	\$ -	\$ 12,488
<u>Deferred Inflows of Resources:</u>						
Uncollected Taxes	-	4,073	13,576	3,457	-	21,106
Total Liabilities and Deferred Inflows of Resources	\$ 12,488	\$ 4,073	\$ 13,576	\$ 3,457	\$ -	\$ 33,594
<u>Fund Balances:</u>						
<u>Restricted for:</u>						
Debt Service	\$ -	\$ -	\$ 391,344	\$ 86,417	\$ 423,442	\$ 901,203
<u>Assigned to:</u>						
Special Revenue Fund (Special Reserve)	-	262,752	-	-	-	262,752
Special Revenue Fund (Food Service)	12,682	-	-	-	-	12,682
Total Fund Balances	\$ 12,682	\$ 262,752	\$ 391,344	\$ 86,417	\$ 423,442	\$ 1,176,637
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 25,170	\$ 266,825	\$ 404,920	\$ 89,874	\$ 423,442	\$ 1,210,231

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Food Service Fund	Special Reserve	Building Fund	Special Assessments	2005 Off-book Bonds	Total Nonmajor Governmental Funds
<u>Revenues:</u>						
Local Sources	\$ 455,223	\$ 95,514	\$ 315,402	\$ 77,613	\$ -	\$ 943,752
Federal Sources	576,112	-	-	-	-	576,112
Other Sources	-	-	-	-	537	537
Total Revenues	\$ 1,031,335	\$ 95,514	\$ 315,402	\$ 77,613	\$ 537	\$ 1,520,401
<u>Expenditures:</u>						
Current:						
Operation and Maint. of Plant	\$ -	\$ -	\$ 296,036	\$ -	\$ -	\$ 296,036
School Food Services	1,062,510	-	-	-	-	1,062,510
Debt Service:						
Principal	-	-	-	55,388	-	55,388
Interest and Service Charges	-	-	-	11,104	-	11,104
Trustee Fees	-	-	-	141	-	141
Total Expenditures	\$ 1,062,510	\$ -	\$ 296,036	\$ 66,633	\$ -	\$ 1,425,179
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,175)	\$ 95,514	\$ 19,366	\$ 10,980	\$ 537	\$ 95,222
<u>Other Financing Sources and Uses:</u>						
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ 80,000	\$ 80,000
Transfers Out	-	(150,000)	(80,000)	-	-	(230,000)
Total Other Financing Sources and Uses	\$ -	\$ (150,000)	\$ (80,000)	\$ -	\$ 80,000	\$ (150,000)
Net Change in Fund Balances	\$ (31,175)	\$ (54,486)	\$ (60,634)	\$ 10,980	\$ 80,537	\$ (54,778)
Fund Balances - July 1	\$ 43,857	\$ 317,238	\$ 451,978	\$ 75,437	\$ 342,905	\$ 1,231,415
Fund Balances - June 30	\$ 12,682	\$ 262,752	\$ 391,344	\$ 86,417	\$ 423,442	\$ 1,176,637

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Devils Lake, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number		Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
National School Lunch Program - Cash	10.555		\$ 354,194
National School Lunch Program - Commodities	10.555	*	52,864
School Breakfast Program	10.553		113,010
Child Nutrition Cluster		**	\$ 520,068
Fresh Fruit and Vegetable Program	10.582		\$ 56,266
Total U.S. Department of Agriculture			<u>\$ 576,334</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
Direct Assistance:			
Impact Aid	84.041		\$ 183,478
Title VIIA - Indian Education - Grants to Local Education Agencies	84.060		103,033
<u>Passed through the State Department of Public Instruction:</u>			
Title I, Part A - Grants to LEA's	84.010	**	843,252
Title IV - 21st Century	84.287C	**	677,946
Title IIA - Improving Teacher Quality State Grants	84.367A		236,182
<u>Passed through the State Board of Vocational Education:</u>			
Vocational Education Basic Grants to States	84.048A		107,947
Total U.S. Department of Education			<u>\$ 2,151,838</u>
Total Expenditure of Federal Awards			<u><u>\$ 2,728,172</u></u>

** - Major Program
* - Noncash assistance

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Devils Lake Public School District under programs of the federal government for the year ended June 30, 2014. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Devils Lake Public School District, it is not intended to and does not present the financial position or changes in net position of the Devils Lake PSD.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

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

Devils Lake Public School District No. 1
Devils Lake, North Dakota

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, each major fund, and the aggregate remaining fund information of the Devils Lake Public School District No. 1, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Devils Lake Public School District No. 1's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Devils Lake Public School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Devils Lake Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Devils Lake Public School District No. 1'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 over financial reporting 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 the Devils Lake Public School District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

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* - Continued

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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 24, 2014

STATE AUDITOR

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT OF INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Devils Lake Public School District No. 1
Devils Lake, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Devils Lake Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Devils Lake Public School District No. 1's major federal programs for the year ended June 30, 2014. The Devils Lake Public School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Devils Lake Public School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the Devils Lake Public School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Devils Lake Public School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, the Devils Lake Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of the Devils Lake Public School District No. 1 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 the Devils Lake Public School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Devils Lake Public School District No. 1'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 weakness 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.

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

We have audited the financial statements of the Devils Lake Public School District No. 1 as of and for the year ended June 30, 2014, and have issued our report thereon dated October 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 24, 2014

DEVILS LAKE PUBLIC SCHOOL DISTRICT NO. 1
Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> None reported
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> None reported

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> None reported
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> None reported

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.555 & 10.553	National School Lunch Program/School Breakfast Program (Child Nutrition Cluster)
84.010	Title I Grants to Local Education Agencies
84.287C	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and B programs:	<u>\$300,000</u>	
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.