



Devils Lake Public School District No. 1

Devils Lake, North Dakota

Audit Report

For the Year Ended June 30, 2016

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of Local Government

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

TABLE OF CONTENTS
For the Year Ended June 30, 2016

	<u>Page(s)</u>
School Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Assets and Liabilities - Agency Funds	10
Notes to the Financial Statements	11 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule General Fund	29
Pension Schedules	30 - 31
Notes to Required Supplementary Information	32
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	34
Schedule of Expenditures of Federal Awards	35
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	36 - 37
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	38 - 39
Schedule of Findings and Questioned Costs	40
Management's Letter	41 - 42

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

SCHOOL OFFICIALS

June 30, 2016

Lee Ann Johnston	President
Steve Halldorson	Vice-President
Jeff Frith	Board Member
Jason Hodous	Board Member
Cory Meyer	Board Member
Scott Privratsky	Superintendent
Melissa Haahr	Business Manager

STATE AUDITOR

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FARGO OFFICE
MANAGER – DAVID MIX
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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, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, pension schedules, and the notes to the required supplementary information* on pages 29-32 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.

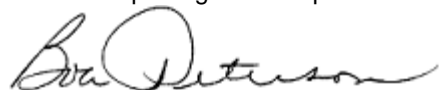
Other Information

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 5, 2016 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 5, 2016

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

STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 3,713,126
Investment with Fiscal Agent	999,053
Intergovernmental Receivable	949,963
Due from County Treasurer	166,061
Taxes Receivable	166,033
Prepaid Expenses	311,233
Capital Assets (not being depreciated):	
Land	170,100
Capital Assets (being depreciated):	
Buildings	9,524,517
Vehicles	908,888
Playground Equipment	76,385
Equipment/Furniture	154,949
Total Capital Assets	<u>\$ 10,834,839</u>
Total Assets	<u>\$ 17,140,308</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension Items	<u>\$ 4,199,648</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 21,339,956</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 229,064
Teacher Contracts Payable	1,152,846
Salaries and Benefits Payable	575,795
Health Insurance Payable	266,025
Interest Payable	5,568
Long-Term Liabilities:	
Due Within One Year:	
Special Assessments Payable	16,193
Early Retirement Payable	154,331
Compensated Absences Payable	4,707
Due After One Year:	
General Obligation Bonds Payable	2,500,000
Special Assessments Payable	101,088
Early Retirement Payable	207,505
Compensated Absences Payable	42,363
Net Pension Liability	23,592,682
Total Liabilities	<u>\$ 28,848,167</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension Items	<u>\$ 1,065,093</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 29,913,260</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 8,334,839
Restricted for:	
Debt Service	1,331,337
Special Purposes	270,262
Unrestricted	<u>(18,509,742)</u>
Total Net Position	<u>\$ (8,573,304)</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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>					
Regular Instruction	\$ 9,585,527	\$ 68,733	\$ -	\$ -	\$ (9,516,794)
Special Education	1,956,209	-	1,455,619	-	(500,590)
Vocational Education	1,392,564	-	583,389	-	(809,175)
Federal Programs	1,340,668	-	1,577,382	-	236,714
District Wide Services	2,136,137	-	-	-	(2,136,137)
Administration	635,301	-	-	-	(635,301)
School Food Services	1,131,200	503,461	639,935	-	12,196
Operations and Maintenance	2,061,396	-	-	-	(2,061,396)
Transportation	728,267	91,733	535,841	-	(100,693)
Co-curricular Activities	1,134,612	110,479	-	-	(1,024,133)
Other Programs & Services	(3,274)	-	-	-	3,274
Interest and Fees on Long-Term Debt	66,398	-	-	-	(66,398)
Total Governmental Activities	\$ 22,165,005	\$ 774,406	\$ 4,792,166	\$ -	\$ (16,598,433)
<u>General Revenues:</u>					
Property taxes; levied for general purposes					\$ 2,755,986
Property taxes; levied for special reserve					476,142
Property taxes; levied for debt service					252,629
State Aid-Unrestricted					13,342,174
Interest Earnings					11,940
Miscellaneous Revenue					220,047
Total General Revenues					\$ 17,058,918
Changes in Net Position					\$ 460,485
Net Position - July 1					\$ (9,033,789)
Net Position - June 30					\$ (8,573,304)

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, 2016

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,043,187	\$ 35,193	\$ 634,746	\$ 3,713,126
Restricted Investment	-	999,053	-	999,053
Intergovernmental Receivable	943,239	-	6,724	949,963
Due from County Treasurer	131,407	11,690	22,964	166,061
Prepaid Expenses	311,233	-	-	311,233
Taxes Receivable	123,465	12,041	30,527	166,033
Total Assets	\$ 4,552,531	\$ 1,057,977	\$ 694,961	\$ 6,305,469
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable & Other Payables	\$ 229,064	\$ -	\$ -	\$ 229,064
Teacher Contracts Payable	1,152,846	-	-	1,152,846
Salaries and Benefits Payable	575,795	-	-	575,795
Health Insurance Payable	237,535	-	28,490	266,025
Total Liabilities	\$ 2,195,240	\$ -	\$ 28,490	\$ 2,223,730
Deferred Inflows of Resources:				
Uncollected Taxes	\$ 123,465	\$ 12,041	\$ 30,527	\$ 166,033
Total Liabilities and Deferred Inflows of Resources	\$ 2,318,705	\$ 12,041	\$ 59,017	\$ 2,389,763
Fund Balances:				
Non-spendable for:				
Prepaid Expenses	\$ 311,233	\$ -	\$ -	311,233
Restricted for:				
Debt Service	-	1,045,936	396,209	1,442,145
Assigned to:				
Special Reserve	-	-	220,290	220,290
Food Service	-	-	19,445	19,445
Unassigned:	1,922,593	-	-	1,922,593
Total Fund Balances	\$ 2,233,826	\$ 1,045,936	\$ 635,944	\$ 3,915,706
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,552,531	\$ 1,057,977	\$ 694,961	\$ 6,305,469

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, 2016

Total *Fund Balances* for Governmental Funds \$ 3,915,706

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	\$ 20,601,344	
Less: Accumulated Depreciation	<u>(9,766,505)</u>	10,834,839

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. 166,033

Net Pension obligations are not due and payable in the current period, and therefore are not reported in the funds. (23,592,682)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds

Pension deferred outflows of resources		4,199,648
Pension deferred inflows of resources		(1,065,093)

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 2016 are:

General Obligation Bonds Payable	\$ (2,500,000)	
Special Assessments Payable	(117,281)	
Interest Payable	(5,568)	
Early Retirement Payable	(361,836)	
Compensated Absences Payable	<u>(47,070)</u>	<u>(3,031,755)</u>

Total Net Position of Governmental Activities \$ (8,573,304)

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, 2016

	General	Sinking & Interest Building Bonds 2009	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 3,236,226	\$ 251,402	\$ 964,676	\$ 4,452,304
State Sources	15,917,023	-	10,505	15,927,528
Federal Sources	1,577,382	-	629,429	2,206,811
Other Local Sources	-	-	7,327	7,327
Total Revenues	<u>\$ 20,730,631</u>	<u>\$ 251,402</u>	<u>\$ 1,611,937</u>	<u>\$ 22,593,970</u>
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 9,354,653	-	-	\$ 9,354,653
Special Education	1,940,515	-	-	1,940,515
Vocational Education	1,369,896	-	-	1,369,896
Federal Programs	1,348,858	-	-	1,348,858
District Wide Services	2,152,056	-	-	2,152,056
Administration	630,196	-	-	630,196
School Food Services	-	-	1,125,780	1,125,780
Operations and Maintenance of Plant	1,763,248	-	299,804	2,063,052
Transportation	846,225	-	-	846,225
Co-curricular Activities	1,410,467	-	-	1,410,467
Other Programs and Services	1,785	-	-	1,785
Debt Service:				
Principal	-	-	16,215	16,215
Interest	-	56,250	7,272	63,522
Fees	-	3,325	-	3,325
Total Expenditures	<u>\$ 20,817,899</u>	<u>\$ 59,575</u>	<u>\$ 1,449,071</u>	<u>\$ 22,326,545</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (87,268)</u>	<u>\$ 191,827</u>	<u>\$ 162,866</u>	<u>\$ 267,425</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 100,000	-	-	\$ 100,000
Transfers Out	-	-	(100,000)	(100,000)
Total Other Financing Sources and Uses	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 12,732</u>	<u>\$ 191,827</u>	<u>\$ 62,866</u>	<u>\$ 267,425</u>
Fund Balances - July 1	<u>\$ 2,221,094</u>	<u>\$ 854,109</u>	<u>\$ 573,078</u>	<u>\$ 3,648,281</u>
Fund Balances - June 30	<u>\$ 2,233,826</u>	<u>\$ 1,045,936</u>	<u>\$ 635,944</u>	<u>\$ 3,915,706</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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ 267,425

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 exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 533,182	
Current Year Depreciation Expense	<u>(404,524)</u>	128,658

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (26,022)

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.

Special Assessment Payments		16,215
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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.

Increase in Early Retirement Payable	\$ (65,902)	
Increase in Compensated Absences Payable	(5,463)	
Decrease in Retainage Payable	51,152	
Decrease in Interest Payable	<u>449</u>	(19,764)

The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension Liability	\$(3,794,381)	
Increase in Deferred Outflows of Resources	2,519,585	
Decrease in Deferred Inflows of Resources	<u>1,337,249</u>	62,453

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 increase in taxes receivable. 31,520

Change in Net Position of Governmental Activities		<u><u>\$ 460,485</u></u>
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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 ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2016

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash	\$ 1,456,959
Prepaid Expenses	9,485
Accounts & Intergovernmental Receivable	<u>261,008</u>
Total Assets	<u>\$ 1,727,452</u>
<u>Liabilities:</u>	
Payroll Tax Payable	\$ 20,843
Health and Life Insurance Payable	12,343
Contracts Payable	42,260
Due to Other Units	961,335
Due to Student Activities Groups	<u>690,671</u>
Total Liabilities	<u>\$ 1,727,452</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, 2016

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 has an investment in treasury strips held by a fiscal agent.

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.

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. Pensions

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

I. 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. The cash balance in the general fund of \$3,043,187 at June 30, 2016 represented 14.6% of FY2016 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.

TABLE CONTINUED ON NEXT PAGE...

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

CLASSIFICATION	DEFINITION	EXAMPLES
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 in the general fund at June 30, 2016 representing non-spendable fund balance of \$311,233.

Restricted Fund Balances – consist of the following items at June 30, 2016:

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).

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 – \$281,320.

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 and the interest and sinking fund - \$1,045,936.
- (b) Special assessments levy fund balance – restricted by specified tax levy – \$114,889.

Assigned Fund Balances – consist of the following at June 30, 2016:

- (a) Special Reserve Fund assigned balance of \$220,290 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.
- (b) Food Service Fund assigned balance of \$19,445 is spendable or available for appropriation but is used only for Food Service purposes.

Net Position:

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.

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

Unrestricted net position is primarily unrestricted amounts related to the general fund, and the large negative amount associated with the net pension liability. The unrestricted net position of the general fund 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 FY2016 as follows:

Revenues and Expenditures	Original Budget	Budget Amendment	Amended Budget
Major Fund:			
General Fund Revenues	\$ 23,356,379	\$ 59,168	\$ 23,415,547
General Fund Expenditures	21,180,034	59,168	21,239,202

It was noted that no funds were overspent for the year ended June 30, 2016.

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, 2016, the school district’s carrying amount of deposits was \$5,170,086 and the bank balances totaled \$6,070,978. Of the bank balances, \$1,215,090 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

Treasury strips reported at cost/par value totaling \$999,053 are being held as investments to retire debt on December 15, 2024. At June 30, 2016, the treasury strips have a market value of \$1,092,594. The amounts are invested by a broker on behalf of the school district in US Treasury bonds.

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

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, 2016.

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 NDCRS 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, 2016:

PRIMARY GOVERNMENT: Governmental Activities	Balance July 1	Increases	Decreases	Transfers	Balance June 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 170,100	\$ -	\$ -	\$ -	\$ 170,100
Construction in Progress	796,162	312,798	-	(1,108,960)	-
Total Capital Assets, Not Being Depreciated	\$ 966,262	\$ 312,798	\$ -	\$ (1,108,960)	\$ 170,100
<i>Capital assets being depreciated:</i>					
Vehicles	\$ 1,941,790	\$ 185,612	\$ 94,450	\$ -	\$ 2,032,952
Copy Machines	53,882	-	53,882	-	-
Playground Equipment	170,215	-	-	-	170,215
Equipment/Furniture	473,891	34,772	5,869	-	502,794
Buildings	16,616,323	-	-	1,108,960	17,725,283
Total Capital Assets, Being Depreciated	\$ 19,256,101	\$ 220,384	\$ 154,201	\$ 1,108,960	\$ 20,431,244
<i>Less Accumulated Depreciation for:</i>					
Vehicles	\$ 1,118,985	\$ 96,529	\$ 91,450	\$ -	\$ 1,124,064
Copy Machines	34,381	-	34,381	-	-
Playground Equipment	85,569	8,261	-	-	93,830
Equipment/Furniture	323,177	27,016	2,348	-	347,845
Buildings	7,928,048	272,718	-	-	8,200,766
Total Accumulated Depreciation	\$ 9,490,160	\$ 404,524	\$ 128,179	\$ -	\$ 9,766,505
Total Capital Assets Being Depreciated, Net	\$ 9,765,941	\$ (184,140)	\$ 26,022	\$ 1,108,960	\$ 10,664,739
Governmental Activities Capital Assets, Net	\$ 10,732,203	\$ 128,658	\$ 26,022	\$ -	\$ 10,834,839

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

Governmental Activities:	Amounts
Regular Instruction	\$ 215,506
Special Education	18,577
Vocational Education	24,547
Administration	7,151
Food Services	9,174
Operations/Maintenance	25,031
Transportation	67,917
Co-Curricular	36,621
Total Depreciation Expense - Govt. Activities	\$ 404,524

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to June 30, 2016 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

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, 2016.

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

NOTE 11: HEALTH INSURANCE PAYABLE

Health insurance payable represents the amount due and payable for health insurance at June 30, 2016.

NOTE 12: 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. Deferred inflows of resources in the statement of net position represent the difference between the projected and actual investment earnings of the retirement plans.

NOTE 13: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds, specials, and leases) outstanding as of June 30, 2016.

NOTE 14: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended June 30, 2016, 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	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ -
Special Assessments	133,496	-	16,215	117,281	16,193
Early Retirement Agreements	295,934	216,192	150,290	361,836	154,331
Compensated Absences *	41,607	5,463	-	47,070	4,707
Net Pension Liability *	19,798,301	3,794,381	-	23,592,682	-
Total Governmental Activities	\$ 22,769,338	\$ 4,016,036	\$ 166,505	\$ 26,618,869	\$ 175,231

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

Outstanding debt at June 30, 2016 consists of the following individual issues (excluding net pension liability, early retirement payable, and compensated absences):

General Obligation Bonds Payable:

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

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%. \$ 117,281

Debt service requirements on long-term debt (excluding early retirement payable and compensated absences payable) at June 30, 2016 are as follows:

Primary Government - Governmental Activities				
Year Ending June 30	G.O. Bonds Payable		Special Assessments	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ 56,250	\$ 16,193	\$ 6,237
2018	-	56,250	16,193	5,338
2019	-	56,250	16,118	4,439
2020	-	56,250	16,118	3,545
2021	-	56,250	16,118	2,650
2022 - 2026	2,500,000	196,875	32,904	4,676
2027 - 2029	-	-	3,637	145
Totals	\$ 2,500,000	\$ 478,125	\$ 117,281	\$ 27,030

NOTE 15: PENSION PLANS

Summary of Significant Accounting Policies

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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.

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 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 service 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 a 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. 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.

Inflows of Resources Related to Pensions

At June 30, 2016, the Devils Lake Public School District reported a liability of \$21,636,228 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2015, the district's proportion was 1.654329%, a decrease of .055958%.

For the year ended June 30, 2016, the district recognized pension expense of \$1,089,343. At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

NDTFFR:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 141,781	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	555,829
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	243,980
Changes of Assumptions	2,429,377	-
District Contributions Subsequent to the Measurement Date	1,315,169	-
Total	\$ 3,886,327	\$ 799,809

\$1,315,169, reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

2017	\$155,498
2018	155,498
2019	155,498
2020	647,806
2021	339,570
Thereafter	317,478

Actuarial Assumptions

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

Inflation	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward 4 years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2015 funding actuarial valuation for TFFR.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and 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%	7.5%
Global Fixed Income	22%	1.3%
Global Real Assets	20%	5.4%
Cash Equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate.

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the district'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%)
District's Proportionate Share of the Net Pension Liability	\$28,593,298	\$21,636,228	\$15,834,178

Pension Plan Fiduciary Net Position

Detailed information is located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. Additional financial and actuarial information is available on their website, www.nd.gov/rio, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

North Dakota Public Employees Retirement System (Main 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 NDPERS Pension Plan

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

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

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

Pension Benefits

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

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 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.

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 re-employed, they have the option of repurchasing their previous service.

Member and Employer Contributions

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

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 25 months of service	Greater of two percent of monthly salary or \$25
26 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

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

At June 30, 2016, the Devils Lake Public School District reported a liability of \$1,956,454 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At July 1, 2015, the district's proportion was 0.287721 percent, which was a decrease of .008082% from its proportion measured at July 1, 2014.

For the year ended June 30, 2016, the district recognized pension expense of \$178,975. At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

NDPERS:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 56,759	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	12,203	49,673
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	41,300
Changes of Assumptions	-	174,311
District Contributions Subsequent to the Measurement Date	244,359	-
Total	\$ 313,321	\$ 265,284

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

\$244,359 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

2017	\$(60,497)
2018	(60,497)
2019	(60,497)
2020	24,845
2021	(39,628)

Actuarial Assumptions

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

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates are based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (not setback for females) multiplied by 125%.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and 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%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate.

The following presents the district’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the district’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%)
District’s Proportionate Share of the Net Pension Liability	\$3,000,124	\$1,956,454	\$1,102,543

Pension Plan Fiduciary Net Position

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

NOTE 16: 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 (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 district pays an annual premium to NDIRF for its general liability, automobile insurance coverage and inland marine. The coverage by NDIRF 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.

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

The Devils Lake Public School District No. 1 has worker’s 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 17: EARLY RETIREMENT

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.

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, 2016 the school district had nine employees who received this benefit for a cost to the school district of \$150,290. The balance of \$361,836 due at June 30, 2016 is due as follows: \$154,332 is due within one year, \$139,027 is due in 2017-2018, \$56,149 is due in 2018-2019, and \$12,328 is due in 2019-2020.

NOTE 18: OPERATING LEASES

The Devils Lake Public School District leases copiers under non-cancelable operating leases. Total costs for such leases were \$39,202 for the year ended June 30, 2016.

The future minimum lease payments for these leases are as follows:

Payment	Amount
FY2017	\$ 37,128
FY2018	37,128
FY2019	37,128
FY2020	37,128
FY2021	37,128
Total	\$ 185,640

NOTE 19: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2016:

Fund	Transfers In	Transfers Out
Major Fund:		
General Fund	\$100,000	\$ -
Nonmajor Fund:		
Special Reserve Fund	-	100,000
Total Transfers	\$100,000	\$100,000

Funds were transferred from the special reserve fund to the general fund for the Capital Improvement Projects--Prairie View Boiler Replacement Project.

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 5,994,743	\$ 5,994,743	\$ 3,236,226	\$ (2,758,517)
State Sources	15,619,535	15,619,535	15,917,023	297,488
Federal Sources	1,741,102	1,800,270	1,577,382	(222,888)
Other Sources	1,000	1,000	-	(1,000)
Total Revenues	\$ 23,356,380	\$ 23,415,548	\$ 20,730,631	\$ (2,684,917)
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 9,599,601	\$ 9,599,601	\$ 9,354,653	\$ 244,948
Special Education	1,951,195	1,951,195	1,940,515	10,680
Vocational Education	1,373,700	1,373,700	1,369,896	3,804
Federal Programs	1,297,881	1,357,049	1,348,858	8,191
District Wide Services	2,168,015	2,168,015	2,152,056	15,959
Administration	628,655	628,655	630,196	(1,541)
Operations and Maintenance	1,721,290	1,721,290	1,763,248	(41,958)
Transportation	968,275	968,275	846,225	122,050
Co-curricular Activities	1,460,352	1,460,352	1,410,467	49,885
Other Programs & Services	11,070	11,070	1,785	9,285
Total Expenditures	\$ 21,180,034	\$ 21,239,202	\$ 20,817,899	\$ 421,303
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,176,346	\$ 2,176,346	\$ (87,268)	\$ (2,263,614)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Net Changes in Fund Balances	\$ 2,176,346	\$ 2,276,346	\$ 12,732	\$ (2,263,614)
Fund Balances - July 1	\$ 1,934,639	\$ 1,934,639	\$ 2,221,094	\$ 286,455
Fund Balances - June 30	\$ 4,110,985	\$ 4,210,985	\$ 2,233,826	\$ (1,977,159)

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

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

PENSION SCHEDULES
June 30, 2016

**Schedule of Employer's Share of Net Pension Liability
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years***

	FY2016	FY2015
District's proportion of the net pension liability (asset)	1.654329%	1.710287%
District's proportionate share of the net pension liability (asset)	\$ 21,636,228	\$ 17,920,776
District's covered-employee payroll	\$ 10,175,860	\$ 9,920,576
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	62.10%	66.60%

*Complete data for this schedule is not available prior to FY2015.

**Schedule of Employer Contributions
North Dakota Teachers Fund for Retirement
Last 10 Fiscal Years***

	FY2016	FY2015
Statutorily required contribution	\$ 1,297,360	\$ 1,066,452
Contributions in relation to the statutorily required contribution	\$ (1,297,360)	\$ (1,066,452)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 10,175,860	\$ 9,920,576
Contributions as a percentage of covered-employee payroll	12.75%	10.75%

*Complete data for this schedule is not available prior to FY2015.

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

	FY2016	FY2015
District's proportion of the net pension liability (asset)	0.287721%	0.295803%
District's proportionate share of the net pension liability (asset)	\$ 1,956,454	\$ 1,877,525
District's covered-employee payroll	\$ 2,563,949	\$ 2,491,788
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.31%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%

*Complete data for this schedule is not available prior to FY2015.

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

	FY2016	FY2015
Statutorily required contribution	\$ 194,699	\$ 177,415
Contributions in relation to the statutorily required contribution	\$ (194,699)	\$ (177,415)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 2,563,249	\$ 2,491,788
Contributions as a percentage of covered-employee payroll	7.60%	7.12%

*Complete data for this schedule is not available prior to FY2015.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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.

NOTE 2: PENSIONS - CHANGES OF ASSUMPTIONS

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

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Food Service Fund	Special Reserve	Building Fund	Special Assessments	Total Nonmajor Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 41,211	\$ 215,090	\$ 263,986	\$ 114,459	\$ 634,746
Intergovernmental receivable	6,724	-	-	-	6,724
Due from County Treasurer	-	5,200	17,334	430	22,964
Taxes Receivable	-	5,306	17,687	7,534	30,527
Total Assets	\$ 47,935	\$ 225,596	\$ 299,007	\$ 122,423	\$ 694,961
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
<u>Liabilities:</u>					
Health Insurance Payable	\$ 28,490	\$ -	\$ -	\$ -	\$ 28,490
<u>Deferred Inflows of Resources:</u>					
Uncollected Taxes	\$ -	\$ 5,306	\$ 17,687	\$ 7,534	\$ 30,527
Total Liabilities and Deferred Inflows of Resources	\$ 28,490	\$ 5,306	\$ 17,687	\$ 7,534	\$ 59,017
<u>Fund Balances:</u>					
<u>Restricted for:</u>					
Debt Service	\$ -	\$ -	\$ 281,320	\$ 114,889	\$ 396,209
<u>Assigned to:</u>					
Special Revenue Fund (Special Reserve)	-	220,290	-	-	220,290
Special Revenue Fund (Food Service)	19,445	-	-	-	19,445
Total Fund Balances	\$ 19,445	\$ 220,290	\$ 281,320	\$ 114,889	\$ 635,944
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 47,935	\$ 225,596	\$ 299,007	\$ 122,423	\$ 694,961

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, 2016

	Food Service Fund	Special Reserve	Building Fund	Special Assessments	Total Nonmajor Governmental Funds
<u>Revenues:</u>					
Local Sources	\$ 503,461	\$ 106,638	\$ 354,577	\$ -	\$ 964,676
State Sources	10,505	-	-	-	10,505
Federal Sources	629,429	-	-	-	629,429
Other Sources	-	-	-	7,327	7,327
Total Revenues	\$ 1,143,395	\$ 106,638	\$ 354,577	\$ 7,327	\$ 1,611,937
<u>Expenditures:</u>					
Current:					
Operation and Maint. of Plant	\$ -	\$ -	\$ 299,804	\$ -	\$ 299,804
School Food Services	1,125,780	-	-	-	1,125,780
Debt Service:					
Principal	-	-	-	16,215	16,215
Interest and Service Charges	-	-	-	7,272	7,272
Total Expenditures	\$ 1,125,780	\$ -	\$ 299,804	\$ 23,487	\$ 1,449,071
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,615	\$ 106,638	\$ 54,773	\$ (16,160)	\$ 162,866
<u>Other Financing Sources and Uses:</u>					
Transfers Out	\$ -	\$ (100,000)	\$ -	\$ -	\$ (100,000)
Net Change in Fund Balances	\$ 17,615	\$ 6,638	\$ 54,773	\$ (16,160)	\$ 62,866
Fund Balances - July 1	\$ 1,830	\$ 213,652	\$ 226,547	\$ 131,049	\$ 573,078
Fund Balances - June 30	\$ 19,445	\$ 220,290	\$ 281,320	\$ 114,889	\$ 635,944

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Other Identification Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
National School Lunch Program	10.555	N/A	\$ 382,139
Commodity Supplemental Food Program	10.565	N/A	* 72,085
School Breakfast Program	10.553	N/A	115,841
Child Nutrition Cluster			<u>\$ 570,065</u>
Fresh Fruit and Vegetable Program	10.582	N/A	<u>\$ 56,730</u>
Total U.S. Department of Agriculture			<u>\$ 626,795</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
Direct Assistance:			
Impact Aid	84.041	N/A	\$ 182,277
Indian Education-Grants to Local Education Agencies	84.060	N/A	105,157
<u>Passed through the State Department of Public Instruction:</u>			
Title I Grants to Local Education Agencies	84.010	N/A	704,175
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	N/A	12,280
Total Title I Cluster			<u>\$ 716,455</u>
Twenty-First Century Community Learning Centers	84.287	N/A	** 816,016
Supporting Effective Instruction State Grant	84.367	N/A	242,385
Grants for State Assessments an Related Activities	84.369	N/A	23,914
<u>Passed through the State Board of Vocational Education:</u>			
Career and Technical Education - Basic Grants to States	84.048	N/A	<u>118,963</u>
Total U.S. Department of Education			<u>\$ 2,205,167</u>
Total Expenditure of Federal Awards			<u><u>\$ 2,831,962</u></u>

** - Major Program
* - Noncash assistance

NOTE 1: BASIS OF PRESENTATION / ACCOUNTING:

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, 2016. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. 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 School District. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

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 Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3: NONCASH AWARDS:

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4: SCHOOLWIDE PROGRAMS:

The Devils Lake Public School District operates a 'schoolwide program' in it elementary buildings. Using federal funding, schoolwide programs are designed to provide an entire educational program within a school for all students, rather than limit services to certain targeted individuals. The federal program amount expended by the district in the schoolwide program for Title I (84.010) was \$704,175.

NOTE 5: NOT AVAILABLE (N/A)

The Devils Lake Public School District was unable to obtain other identification number.

STATE AUDITOR

ROBERT R. PETERSON
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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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, 2016, 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 5, 2016.

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 5, 2016

STATE AUDITOR

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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 City of Devils Lake's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Devils Lake Public School District's major federal program for the year ended June 30, 2016. The City of Devils Lake's major federal program is 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 the Devils Lake Public School District No. 1's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 City of Devils Lake'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 the 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 its major federal program for the year ended June 30, 2016.

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 the Uniform Guidance - 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Devils Lake Public School District No. 1 as of and for the year ended June 30, 2016, and have issued our report thereon dated October 5, 2016, 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 the Uniform Guidance 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 5, 2016

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2016

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 CFR §200.516 (Uniform Guidance) requirements?	_____ Yes	_____ <u>X</u> None reported

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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84.287	Twenty-First Century Community Learning Centers
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Dollar threshold used to distinguish between Type A and B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

STATE AUDITOR

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

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Devils Lake Public School District No. 1, North Dakota, as of and for the year ended June 30, 2016, which collectively comprise the Devils Lake Public School District No. 1's basic financial statements and have issued our report thereon dated October 5, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND BY THE UNIFORM GUIDANCE

As stated in our engagement letter dated August 25, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Devils Lake Public School District No. 1, North Dakota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Devils Lake Public School District No. 1, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Devils Lake Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on the City of Devils Lake's compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on the Devils Lake Public School District No. 1's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Devils Lake Public School District No. 1 are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated October 5, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of the Devils Lake Public School District No. 1, North Dakota and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Devils Lake Public School District No. 1 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Devils Lake Public School District No. 1.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 5, 2016

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