DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2016

TABLE OF CONTENTS

DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2016

TABLE OF CONTENTS - cont.

Dickinson Public School District #1
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

The Management's Discussion and Analysis (MD&A) of the Dickinson Public School District #1 provides an overview and overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. The financial statements referenced within this discussion include all funds groups within the Dickinson Public Schools accounting system from July 1, 2015 through June 30, 2016.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year 2015-2016 and the prior year 2014-2015 is required to be presented in the MD&A.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

BRIEF DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

- Statement of Net Position

Statement of Net Position	FY 2015	FY 2016
Assets		
Cash	$27,441,004	$59,539,511
Taxes receivable	35,729	43,289
Due from other governments	1,529,968	1,675,094
Capital assets not being deprec.	5,020,567	29,445,593
Capital assets being deprec.	21,701,717	25,294,251
TOTAL ASSETS	$55,728,985	$115,997,738
DEFERRED OUTFLOWS OF RESOURCES	$0	$9,171,992
Liabilities		
Accounts payable	$1,036,369	$4,703,376
Accrued interest	0	674,839
Liabilities due within one year	972,442	1,735,000
Due in more than one year	45,216,252	98,474,121
TOTAL LIABILITIES	$47,225,063	$105,587,336

DEFERRED INFLOWS OF RESOURCES	$0	$902,979
Net Position		
Investment in capital assets	$11,067,284	$(5,095,156)
Unrestricted	(19,185,081)	(18,281,874)
Restricted	16,621,719	42,056,445
TOTAL NET POSITION	**$8,503,922**	**$18,679,415**

GENERAL FUND

- General Fund (01) revenues increased by $4,203,261. This represents a 10.7% increase from the previous fiscal year. Revenues received for 2015-2016 were 1.0% more than budgeted. Increases in hub city oil revenue was the most notable increase.
- General Fund (01) expenditures increased by $2,112,302. This represents a 5.4% increase from the previous fiscal year. The majority of the increases to the general fund expenditures was due to increases in salary and benefits. This included additional staffing expenses. Expenditures in 2015-2016 were 5% under the approved budget.
- The General Fund (01) balance ended the year at $13,792,233 compared to $11,318,695 in 2014-2015. The interim fund balance is 31.9% of the General Fund (01) expenditures for 2015-2016. This is an increased percentage of 4.7% from the previous year. Given the state and local economy, it is very possible that the Board may have to spend a portion of the interim fund balance during the 2017-2018 fiscal year. The District is well positioned to take on budgetary challenges that may loom.

On pages vi and vii of the MD&A, general operations revenues and expenditures are displayed numerically and graphically for the 2015-2016 fiscal year.

BUILDING FUND

- The most significant building fund project has been the ongoing construction of the new middle school. This $65,000,000 project continues to track well and is expected to open in July of 2017 on schedule. Project totals include a construction total of $57,000,000, architect fees of $4,300,000, furniture, fixtures, and equipment of $3,000,000, technology of $700,000 and other related costs such as owner infrastructure.
- Other building fund projects included: Boilers replacement at Roosevelt, Jefferson east side painting and restoration, Jefferson north playground reclamation, carpeting, plumbing repairs, new windows at Heart River and Lincoln, a west sidewalk and concrete areas at Prairie Rose, and other maintenance issues.
- The Building Fund balance had $37,952,611 at the end of the fiscal year. This balance does include significant funds for the new middle school project.
- It is estimated that the building fund will maintain a healthy balance of approximately $10,000,000 after the new middle school construction is expensed.

DEBT SERVICE FUND

- The Debt Service Fund (04) currently has eight sinking and interest repayment accounts that are active. Two of those older debts (balance due $215,302) will be paid in full in May of 2017. Two other debt service balances are in relation to the Prairie Rose Elementary project. $4,555,000 in principal is due for that project. Bond sales of $20,135,000 were conducted for the new middle school project in March of 2016 and a $10,000,000 School Construction Loan received final approval in the spring of 2016.
- As of June 30, 2016 the total debt, including compensated absences, early retirement and pension liability for the District was $100,209,121. A detail of long-term debt is noted on page 20 in the notes to the financial statements.
- All bond sales and school construction loans have been completed for the construction of the new middle school. At this time, there are no other bonding required capital projects being planned.
- The debt service fund overspent its budget because of the $674,839 of accrued interest on bonds.

CAPITAL ASSETS

- For the year ending June 30, 2015 Dickinson Public Schools had an ending balance of $26,722,284 in capital assets. At the end of the 2016 fiscal year, the ending balance was $54,739,844. Significant changes to our capital assets during fiscal year 2016 included three buses, one tractor, two copiers, a unified wired-wlan, a batting cage, and a double oven. These fixed assets added $43,580 of depreciated value to our capital assets. The remaining increase is the construction costs of the Middle School.

FOOD SERVICE FUND

- The Food Service Fund (05) realized an increase in expenditures from the previous year of $96,173. Revenues increased $103,390 from 2014-2015 to 2015-2016 including a $246,142 transfer from the general fund. $200,000 was transferred in 2014-2015 which leaves a net addition of $46,142 for 15-16. This left a food services fund balance of $121,631. The prices of student meals were increased by 10 cents for the 2016-2017 school year. Food Services of America will be the primary vendor for 2016-2017.

STUDENT ACTIVITIES FUND

- The ending balance of the many student activity accounts was $1,160,973. There were 113 active student activity accounts. The largest account balance carried forward was the RASP non-grant activity account which ended the year with a balance of $529,683.
- There are few significant ramifications for increases or decreases in this fund since this fund is purely custodial in nature.

OTHER SIGNIFICANT FACTORS FOR FUTURE OPERATIONS

SELF-FUNDED HEALTH INSURANCE

- The Dickinson Public Schools' employees have now been self-funded in health insurance for 13½ years. The 2015-2016 fiscal year showed a loss of $118,348. Claims for the year were $349,138 more than the previous year, and revenues increased by $288,739. The fund did end the year in the black with a balance of $711,884. Our premiums continue to be slightly lower than NDPERS and other local health insurance plans. A premium increase of 13.4% in October 2016 is expected which should keep the District at the suggested funding level of Blue Cross Blue Shield. High claims continue to be an issue with our insurance group. In the past year four members incurred 32.5% of our total claims due to high claims. High claims are those over $75,000 in a given health year. This increased our stop loss payment to Blue Cross Blue Shield by over 17%.

ENROLLMENT TRENDS

- 2015-2016 was the second year in a row of losing students during the year due to economic shifts in the energy sector of employment. During the school year, the District lost 158 students. However, our fall enrollment showed an increase of 105 students compared to May 1, 2016. This was largely due to a kindergarten class of 314 while 167 seniors graduated in the Spring of 2016. At this time, our enrollment appears to be leveling off and is more stable. The District is projecting, based upon birth rate formulas, the largest kindergarten class in recent history.

GROWTH IN LOCAL TAX BASE & PROPERTY TAX RELIEF

- The taxable valuation of the Dickinson Public School District is expected to grow by an estimated 3.64% at the end of 2016. This growth will increase the value of a mill, thus increasing the possibility to generate more local revenue through property taxes. $8,478,076 was collected in property taxes for 2015-2016. The general fund is expected to levy 57.68 mills which includes a fraction of a mill for old debt service repayment. The estimated 2016-2017 mill levy for all mills is expected to increase 4.36 mills. This increase is due to the voter approved bond referendum for the new middle school project and lower increases than previous years in taxable valuation. Dickinson Public Schools continues to be the lowest taxing school district of the ten largest class A schools in North Dakota.

STAFFING NEEDS

- The District continues to have an active amount of hiring in both the certified and classified employee sectors. Twenty-seven (27) new teachers, one principal, and a school psychologist were hired for the 2016-2017 school year.
- Fifty percent (50%) of our teachers now have been in the District five years or less. It is anticipated that the District will need to increase the number of new positions to staff the

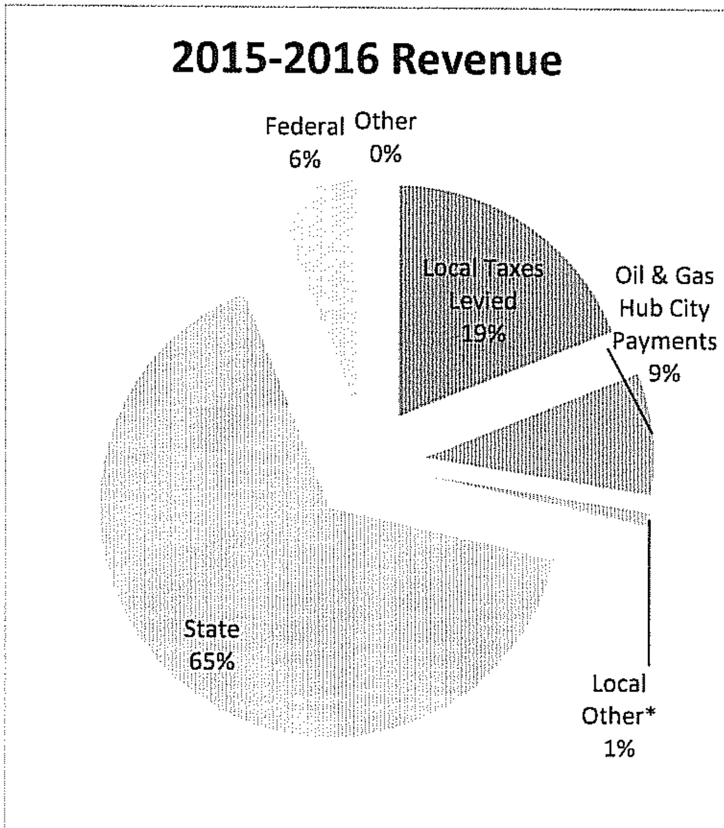
new middle school. In grades K-5 larger numbers of grade level sections will either requiring moving students, or adding additional classrooms.

- State and national teacher shortages continue to challenge the District's ability to hire highly qualified and talented educators. However, the District continues to have great success in recruiting and hiring excellent new teachers. The District did not have any areas where they were unable to fill positions.

Dickinson Public Schools

General Fund Revenue

2015-2016



Sources of Revenue	Amount	% of Total
Local Taxes Levied	$8,257,420	18.9%
Oil & Gas Hub City Payments	$3,750,000	8.6%
Local Other*	$417,225	1.0%
State	$28,548,360	65.4%
Federal	$2,652,480	6.1%
Other	$0	0.0%
Total	$43,625,485	100%

*Tuition, Fees, Interest Earned Etc.

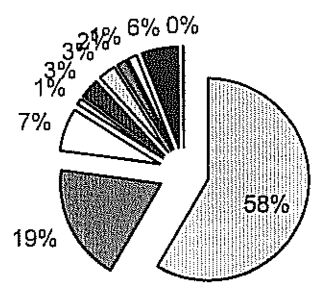
DETAIL BREAKDOWN

LOCAL:		Percent of Total Above
Taxes Levied	$8,257,420	**18.93%**
Tuition	$107,267	0.25%
Interest Earned	$35,789	0.08%
Driver's Ed & Transportation Fees	$79,960	0.18%
RASP Parent Fees	$78,155	0.18%
Misc.	$116,054	0.27%
Total	$8,674,645	19.9%

Dickinson Public Schools

General Operation Expenditures

2015-2016



Expenditure Categories	Amount	% of Total
Salaries	$24,867,887	58.37%
Benefits	$7,927,858	18.61%
Purchased Services	$2,942,438	6.91%
Tuition	$429,648	1.01%
Books, Supplies, Travel	$1,371,532	3.22%
Equipment	$1,215,373	2.85%
*Food Services	$677,377	1.59%
Land Purchases	$620,125	1.46%
Fund Transfers	$2,481,579	5.82%
Other	$70,894	0.17%
TOTAL	$ 42,604,711.88	100.00%

* Note that Food Services Salary & Benefits are included above.

DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA
JUNE 30, 2016

PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
115 N Main, Suite B
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC - Certified Public Accountant

Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Dickinson Public School District, Dickinson, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Dickinson Public School District, Dickinson, North Dakota, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-vii and 34-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dickinson Public School District, Dickinson, North Dakota's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of Dickinson Public School District, Dickinson, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dickinson Public School District, Dickinson, North Dakota's internal control over financial reporting and compliance.

James J. Wosepka, PC
By James J. Wosepka CPA

Beach, North Dakota
November 29, 2016

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	59,539,511
Taxes/assessments receivable		43,289
Due from other governments		1,675,094
Capital assets not being depreciated		
Land		1,491,903
Construction in progress		27,953,690
Capital assets being depreciated (net of accumulated depreciation)		25,294,251
Total Assets		115,997,738
DEFERRED OUTFLOWS OF RESOURCES		9,171,992
LIABILITIES		
Accounts payable and other current liabilities		4,703,376
Accrued interest		674,839
Noncurrent liabilities:		
Due within one year		1,735,000
Due in more than one year		98,474,121
Total Liabilities		105,587,336
DEFERRED INFLOWS OF RESOURCES		902,979
NET POSITION		
Net investment in capital assets		(5,095,156)
Unrestricted		(18,281,874)
Restricted		42,056,445
Total Net Position	$	18,679,415

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

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Activities
Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fines, Forfeitures, etc.	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Salaries	$ 24,254,002	$ -	$ -	$ (24,254,002)
Employee benefits	9,262,808	-	-	(9,262,808)
Purchased services	2,951,834	-	-	(2,951,834)
Supplies	1,814,763	-	-	(1,814,763)
Equipment	1,244,464	-	-	(1,244,464)
Other	122,761	-	-	(122,761)
Capital outlay	-	-	-	-
Debt service	1,497,285	-	-	(1,497,285)
Food service	1,517,520	789,132	516,208	(212,180)
Bond issue costs	170,677	-	-	(170,677)
Unallocated depreciation	680,134	-	-	(680,134)
Total governmental activities	$ 43,516,248	$ 789,132	$ 516,208	(42,210,908)
General revenues:				
Property taxes				13,795,684
Restricted Federal/State revenues				3,434,889
Unrestricted Federal/State shared revenues/grants				34,082,443
Unrestricted investment earnings				64,568
Bond premium				1,008,817
Total general revenues and transfers				52,386,401
Change in net position				10,175,493
Total net position - July 1, 2015				8,503,922
Total net position - June 30, 2016				$ 18,679,415

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

DICKINSON PUBLIC SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

Description	General	Debt Service	Capital Projects	Food Service	Total Governmental Funds
		Major Funds			
ASSETS					
Cash and cash equivalents	$ 13,309,009	$ 4,478,376	$ 41,624,594	$ 127,532	$ 59,539,511
Tax/assessment receivable	31,001	7,129	5,159	-	43,289
Due from other governments	1,427,800	166,378	80,916	-	1,675,094
Total Assets	14,767,810	4,651,883	41,710,669	127,532	61,257,894
LIABILITIES					
Accounts payable	944,576	674,839	3,752,899	5,901	5,378,215
Total Liabilities	944,576	674,839	3,752,899	5,901	5,378,215
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	31,001	7,129	5,159	-	43,289
FUND BALANCES					
Restricted	-	3,969,915	37,952,611	121,631	42,044,157
Assigned	-	-	-	-	-
Unassigned	13,792,233	-	-	-	13,792,233
Total Fund Balances	13,792,233	3,969,915	37,952,611	121,631	55,836,390
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 14,767,810	$ 4,651,883	$ 41,710,669	$ 127,532	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	54,739,844
Other long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	43,289
Long-term liabilities, including bonds and pensions payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(91,940,108)
Net position - governmental funds	$ 18,679,415

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

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Fiscal Year Ended June 30, 2016

Description	General	Debt Service (Major Funds)	Capital Projects (Major Funds)	Food Service (Major Funds)	Total Governmental Funds
REVENUES					
Property taxes	$ 8,282,795	$ 3,958,830	$ 1,546,499	$ -	$ 13,788,124
Earnings on investments	35,789	-	28,779	-	64,568
School lunch sales	-	-	-	789,132	789,132
Other local sources	4,131,435	-	972,312	-	5,103,747
State revenue	28,440,090	-	1,294,735	17,428	29,752,253
Federal aid	2,678,761	-	-	498,779	3,177,540
Total Revenues	43,568,870	3,958,830	3,842,325	1,305,339	52,675,364
EXPENDITURES					
Current:					
Salaries	24,219,836	-	-	-	24,219,836
Employee benefits	7,725,560	-	-	-	7,725,560
Purchased services	2,951,834	-	-	-	2,951,834
Supplies	1,814,763	-	-	-	1,814,763
Equipment	1,814,486	-	-	-	1,814,486
Food service	-	-	-	1,509,379	1,509,379
Other	122,761	-	-	-	122,761
Capital outlay	-	-	28,135,813	-	28,135,813
Debt service	-	2,452,285	-	-	2,452,285
Total Expenditures	38,649,240	2,452,285	28,135,813	1,509,379	70,746,717
Excess of revenues (under) over expenditures	4,919,630	1,506,545	(24,293,488)	(204,040)	(18,071,353)
OTHER FINANCING SOURCES (USES)					
Bond issue cost	-	-	(170,677)	-	(170,677)
Bond premium	-	-	1,008,817	-	1,008,817
Bond proceeds	-	-	45,135,000	-	45,135,000
Transfers In	-	390,000	2,200,000	246,092	2,836,092
Transfers out	(2,446,092)	-	(390,000)	-	(2,836,092)
Total other financing sources (uses)	(2,446,092)	390,000	47,783,140	246,092	45,973,140
Net change in fund balances	2,473,538	1,896,545	23,489,652	42,052	27,901,787
Fund balances - July 1, 2015	11,318,695	2,073,370	14,462,959	79,579	27,934,603
Fund balances - June 30, 2016	$ 13,792,233	$ 3,969,915	$ 37,952,611	$ 121,631	$ 55,836,390

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

DICKINSON PUBLIC SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds (page 8)	$	27,901,787
Amounts reported for governmental activities in the statement of activities (page 6) are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital assets purchased		28,705,835
Depreciation expense		(688,275)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Unavailable property taxes		7,560
Bond proceeds		(45,135,000)
Repayment of debt principal is and expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
Long-term bond principal payments		955,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Accrued compensated absences, early retirement buyouts, and pensions		(1,571,414)
Change in Net Position in Governmental Activities	$	10,175,493

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

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

Description	Trust Funds Private Purpose Trust Funds
ASSETS	
Cash and cash equivalents	$ 1,160,974
Total Assets	1,160,974
LIABILITIES	
Due to other governments	-
Total Liabilities	-
NET POSITION	
Held for student activities	$ 1,160,974

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

DICKINSON PUBLIC SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2016

Description		Trust Funds Private Purpose Trust Funds
ADDITIONS:		
Student activities revenue	$	1,378,358
Interest earnings		96
Total Additions		1,378,454
DEDUCTIONS:		
Student activities		1,466,683
Total Deductions		1,466,683
Change in net position		(88,229)
Total net position - July 1, 2015		1,249,203
Total net position - June 30, 2016	$	1,160,974

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

1. **Summary of Significant Accounting Principles**

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

1. **<u>Summary of Significant Accounting Principles – cont.</u>**

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

1. **<u>Summary of Significant Accounting Principles – cont.</u>**

Major Governmental Funds

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

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

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

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

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

The District reports the following fund types:

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

<u>Cash and Cash Equivalents</u>

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

<u>Fund Balance Reporting</u>

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

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

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

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

	Major Funds				
	General Fund	Debt Service	Capital Projects	Food Service	Total Governmental Funds
Nonspendable:					
Inventories	$ -	$ -	$ -	$ -	$ -
Restricted:					
Debt Service	-	3,969,915	-	-	3,969,915
Food Service	-	-	-	121,631	121,631
Capital Projects	-	-	37,952,611	-	37,952,611
Unassigned	13,792,233	-	-	-	13,792,233
Total Fund Balances	$ 13,792,233	$ 3,969,915	$ 37,952,611	$ 121,631	$ 55,836,390

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net

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

position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Interfund Transactions

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

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

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

Taxes

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

Vacation and Sick Leave

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

1. Summary of Significant Accounting Principles – cont.

New GASB Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

2. Taxes Receivable

Taxes receivable consist of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with National Council on Government Accounting (NCGA) Interpretation 3, "Revenue Recognition-Property

2. Taxes Receivable – cont.

Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means then due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, taxes receivable are recorded as unearned revenue.

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

3. Cash and Cash Equivalents

State statues authorize local governments to invest in: a) Bonds, treasury bills, and notes or other securities that are a direct obligation of, or an obligation insured or guaranteed by the Treasury of the United States or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state, d) Certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the commissioner of financial institutions, e) State and local securities, and f) commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

At June 30, 2016, the carrying amount of the District's deposits (cash and money markets) was $60,700,485 and the bank balance was $61,963,124. The entire bank balance throughout the year was covered by Federal Depository Insurance or by collateral held by the pledging financial institution's trust department or agent in the District's name.

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

3. **Cash and Cash Equivalents – cont.**

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

Credit, Interest Rate, and Foreign Currency Risk

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

4. **Amounts Due From Other Governments**

The amounts due from other governments consist of the following:

Due from State	$	1,033,761
Due from County Treasurer		641,333
	$	1,675,094

5. **Pending Litigation**

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

6. **Commitments**

The District has a $57,641,212 contract for the construction of a new middle school. As of June 30, 2016, the District had paid $24,655,022, and as of the date of this report, an additional $16,862,434, for a total of $41,517,456.

As of June 30, 2016, the District has a contract for the replacement of a boiler for $193,600. No work had been done as of June 30, 2016. To the date of this report, $174,240 had been paid, with a balance of $21,360.

7. **Estimates**

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

8. **Long–term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Accrued vacation and early retirement buyouts	$ 218,499	$ 34,166	$ 15,989	$ 236,676	$ 30,000

8. Long–term Debt – cont.

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bond 2015	$ -	$ 25,000,000	$ -	$ 25,000,000	$ 835,000
General obligation bond 2016	-	20,135,000	-	20,135,000	-
General obligation bond 2014	9,865,000	-	340,000	9,525,000	250,000
General obligation bond 2011	4,050,000		310,000	3,740,000	315,000
Tax levy bond 2011	1,320,000	-	95,000	1,225,000	95,000
General obligation bond 2010	210,000	-	105,000	105,000	105,000
Limited tax levy bond 2010	210,000	-	105,000	105,000	105,000
	15,655,000	45,135,000	955,000	59,835,000	1,705,000
Compensated absences	163,750	34,166	-	197,916	17,080
Early retirement payable	54,749	-	15,989	38,760	12,920
Pensions payable	30,315,195	9,822,250	-	40,137,445	-
	30,533,694	9,856,416	15,989	40,374,121	30,000
Total government activity long-term liabilities	$ 46,188,694	$ 54,991,416	$ 970,989	$ 100,209,121	$ 1,735,000

The District issued $25,000,000 General Obligation School Building Bonds, Series 2015 on August 4, 2015. The Bonds mature from August 1, 2016 to August 1, 2035, with interest rates from 3% to 4%. The Bonds sold for $25,673,011 which included a premium of $673,011. The cost of issuing the Bonds was $73,962, for net proceeds of $25,599,049.

The District issued $20,135,000 General Obligation School Building Bonds, Series 2016, on March 1, 2016. The Bonds mature from August 1, 2017 to August 1, 2035, with interest rates from 2% to 3%. The Bonds sold for $20,470,806 which includes a premium of $335,806. The cost of issuing the Bonds was $96,715, for net proceeds of $20,374,091.

Payments on the general obligation bonds are made by the Debt Service Fund with property taxes.

The accrued vacation and early retirement will be paid by the fund for which the employee worked. The annual payments for early retirement are as follows:

2017	$	17,442
2018		17,442
2019		3,876
	$	38,760

8. **<u>Long–term Debt – cont.</u>**

The annual requirements to amortize all general obligation and tax levy bonds outstanding as of June 30, 2016, including interest payments, are as follows:

Year ended June 30	Principal	Interest	Total
2017	$ 1,705,000	$ 1,663,624	$ 3,368,624
2018	2,410,000	1,655,447	4,065,447
2019	2,720,000	1,597,632	4,317,632
2020	2,780,000	1,534,967	4,314,967
2021	2,850,000	1,469,923	4,319,923
	12,465,000	7,921,593	20,386,593
2022-2026	15,395,000	6,286,379	21,681,379
2027-2031	15,220,000	4,217,176	19,437,176
2032-2036	16,755,000	1,493,375	18,248,375
	$ 59,835,000	$ 19,918,523	$ 79,753,523

The District has been approved for a $10,000,000 school construction loan from the Bank of North Dakota. As of June 30, 2016, the District had not borrowed any of these funds, but borrowed $3,823,968 in August 2016.

9. **<u>Transfers</u>**

During the fiscal year ended June 30, 2016, several equity transfers were made. The following is a schedule of those transfers:

Fund	Amount	Reason
Debt Service	$ 390,000	General operating transfers
Capital Projects	(390,000)	General operating transfers
General	(2,446,092)	General operating transfers
Capital Projects	2,200,000	General operating transfers
Food Service	246,092	General operating transfers

10. **<u>Statewide Retirement Plans</u>**

Summary of Significant Accounting Policies

North Dakota Teachers Fund for Retirement

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

General Information about the Pension Plan

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.

10. Statewide Retirement Plans – cont.

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

10. Statewide Retirement Plans – cont.

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 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

10. Statewide Retirement Plans – cont.

Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

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

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

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

At June 30, 2016, the Employer reported a liability of $36,870,059 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015, the Employer's proportion was 2.819124 percent, which was an increase of 0.22401 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Employer recognized pension expense of $2,816,703. At June 30, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

10. Statewide Retirement Plans – cont.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 241,608	$ -
Changes of assumptions	4,139,875	-
Net difference between projected and actual earnings on pension plan investments	-	415,764
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,225,083	-
Employer contributions subsequent to the measurement date	2,345,441	-
Total	$ 8,952,007	$ 415,764

$8,952,007 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year ended June 30:	
2017	$ 793,693
2018	793,693
2019	793,693
2020	1,632,630
2021	1,107,368
Thereafter	1,069,725

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

10. Statewide Retirement Plans – cont.

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 four 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.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57%	7.5%
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

10. **Statewide Retirement Plans – cont.**

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. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	$ 48,725,527	$ 36,870,059	$ 26,982,850

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

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 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.

10. Statewide Retirement Plans – cont.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 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 provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). 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 benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits

10. Statewide Retirement Plans – cont.

within one year of termination. The definition for 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 reemployed, 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 salaries and wages. Member contribution rates are 7% and employer contribution 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 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At June 30, 2016, the Employer reported a liability of $3,267,386 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was 0.480510 percent, which was a decrease of 0.011517 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Employer recognized pension expense of $300,239. At June 30, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

10. Statewide Retirement Plans – cont.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 94,791
Changes of assumptions	291,109	-
Net difference between projected and actual earnings on pension plan investments	(446,515)	377,541
Changes in proportion and differences between employer contributions and proportionate share of contributions	(70,786)	14,883
Employer contributions subsequent to the measurement date	446,177	-
Total	$ 219,985	$ 487,215

$219,985 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year ended June 30:	
2017	$ (99,693)
2018	(99,693)
2019	(99,693)
2020	42,834
2021	(64,893)
Thereafter	-

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 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 were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

10. Statewide Retirement Plans – cont.

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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
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 Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

10. Statewide Retirement Plans – cont.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	$ 5,010,373	$ 3,267,386	$ 1,841,308

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

11. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,491,903	$ -	$ -	$ 1,491,903
Construction in progress	3,528,664	26,671,192	2,246,166	27,953,690
Total capital assets, not being depreciated	5,020,567	26,671,192	2,246,166	29,445,593
Capital assets, being depreciated:				
Buildings and improvements	28,627,266	3,791,463	-	32,418,729
Furniture and equipment	4,095,066	489,346	27,099	4,557,313
Total capital assets, being depreciated	32,722,332	4,280,809	27,099	36,976,042
Accumulated depreciation for:				
Buildings and improvements	(8,334,893)	(384,119)	-	(8,719,012)
Furniture and equipment	(2,685,722)	(304,156)	27,099	(2,962,779)
Total accumulated depreciation	(11,020,615)	(688,275)	27,099	(11,681,791)
Total capital assets, being depreciated, net	21,701,717			25,294,251
Governmental activities capital assets, net	$ 26,722,284			$ 54,739,844

Depreciation expense was charged to:

Unallocated	$ 680,134
Food service	8,141
	$ 688,275

12. Risk Management

The Dickinson Public School District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

12. Risk Management – cont.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of $1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

The School District maintains a health and medical benefit program which covers all eligible employees. The School District has retained a major portion of the risk for this plan and accordingly, is liable for any employee health claims approved for payment. Stop-loss coverage limits were $100,000 for individual claims. Health insurance and medical expenditures were $4,270,607 for the year ended June 30, 2016 and consisted of paid claims, stop-loss premiums, and administrative fees. As of June 30, 2016, an estimated liability for incurred, but not reported claims of approximately $711,883 was recorded in the General Fund as accounts payable. This estimate was used to show cash on hand as a liability for future payments and approximates historical claims experience.

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

Change in cash in the plan was as follows:

Cash balance June 30, 2015	$	830,233
Funds into the plan		4,152,257
Claims paid		(4,270,607)
Cash balance June 30, 2016	$	711,883

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

13. Subsequent Events

In August 2015, the District drew down $3,823,968 on a $10,000,000 construction loan from the Bank of North Dakota.

REQUIRED
SUPPLEMENTAL INFORMATION

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ 8,720,000	$ 8,720,000	$ 8,282,795	$ (437,205)
Earnings on investments	24,000	24,000	35,789	11,789
Other local sources	3,610,569	3,610,569	4,131,435	520,866
State revenue	28,174,839	28,174,839	28,440,090	265,251
Federal aid	2,643,818	2,643,818	2,678,761	34,943
Total revenues	43,173,226	43,173,226	43,568,870	395,644
Expenditures:				
Current:				
Salaries	24,302,721	24,302,721	24,219,836	82,885
Employee benefits	8,096,956	8,096,956	7,725,560	371,396
Purchased services	3,164,816	3,164,816	2,951,834	212,982
Supplies	2,227,611	2,227,611	1,814,763	412,848
Equipment	2,443,327	2,443,327	1,814,486	628,841
Other	440,404	440,404	122,761	317,643
Total expenditures	40,675,835	40,675,835	38,649,240	2,026,595
Excess of revenues over (under) expenditures	2,497,391	2,497,391	4,919,630	2,422,239
Other financing sources (uses):				
Transfer in	-	-	-	-
Transfer out	(2,446,092)	(2,446,092)	(2,446,092)	-
Total other financing sources (uses):	(2,446,092)	(2,446,092)	(2,446,092)	-
Net change in fund balances	$ 51,299	$ 51,299	2,473,538	$ 2,422,239
Fund balance - beginning - Budget and GAAP basis			11,318,695	
Fund balance - ending - Budget and GAAP basis			$ 13,792,233	

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

JUNE 30, 2016

Budgets

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

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

The District overspent its debt service budget due to accrued interest.

Encumbrances

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

1. The costs of personal property including materials, supplies, and equipment ordered, but not received, may be encumbered if a valid purchase order was issued prior to June 30.

2. The cost of commitments related to construction in progress may be encumbered, if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

As of June 30, 2016, the District incurred $0 encumbrances.

ND Teachers Fund for Retirement

Schedules of Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability Last 10 Fiscal Years*

	2015	2016
1. Employer's proportion of the net pension liability (asset)	2.595114%	2.819124%
2. Employer's proportionate share of the net pension liability (asset)	$ 27,192,194	$ 36,870,059
3. Employer's covered-employee payroll	$ 15,053,043	$ 17,340,566
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.64%	213.62%
5. Plan fiduciary net position as a percentage of the total pension liability	10.75%	12.75%

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

Schedule of Employer Contributions Last 10 Fiscal Years*

	2015	2016
Statutorily required contribution	$ 1,618,187	$ 2,210,816
Contributions in relation to the statutorily required contribution	$ (1,618,187)	$ (2,210,816)
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 15,053,043	$ 17,340,566
Contributions as a percentage of covered-employee payroll	10.75%	12.75%

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

Notes to Required Supplementary Information for the Year Ended June 30, 2016

Changes of assumptions. Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

ND Public Employees Retirement System

Schedules of Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

	2015	2016
Employer's proportion of the net pension liability (asset)	0.492027%	0.480510%
Employer's proportionate share of the net pension liability (asset)	$ 3,123,001	$ 3,267,386
Employer's covered-employee payroll	$ 4,144,736	$ 4,280,763
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

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

Schedule of Employer Contributions
Last 10 Fiscal Years*

	2015	2016
Statutorily required contribution	$ 295,105	$ 325,158
Contributions in relation to the statutorily required contribution	$ (343,117)	$ (343,029)
Contribution deficiency (excess)	$ (48,012)	$ (17,871)
Employer's covered-employee payroll	$ 4,144,736	$ 4,280,763
Contributions as a percentage of covered-employee payroll	7.20%	7.60%

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

Notes to Required Supplementary Information for the Year Ended June 30, 2016

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.

SUPPLEMENTAL INFORMATION

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Food Service Funds
Year Ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ -	$ -	$ -	$ -
Lunch sales	788,800	788,800	789,132	332
State revenue	37,800	37,800	17,428	(20,372)
Federal aid	482,000	482,000	498,779	16,779
Total revenues	1,308,600	1,308,600	1,305,339	(3,261)
Expenditures:				
Food service	1,711,023	1,711,023	1,509,379	201,644
Total expenditures	1,711,023	1,711,023	1,509,379	201,644
Excess of revenues over (under) expenditures	(402,423)	(402,423)	(204,040)	198,383
Other financing sources (uses):				
Transfer in	-	-	246,092	246,092
Transfer out	-	-	-	-
Total other financing sources (uses):	-	-	246,092	246,092
Net change in fund balances	$ (402,423)	$ (402,423)	42,052	$ 444,475
Fund balances - beginning - Budget and GAAP basis			79,579	
Fund balances - ending - Budget and GAAP basis			$ 121,631	

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Debt Service Fund
Year Ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ 4,256,550	$ 4,256,550	$ 3,958,830	$ (297,720)
Earnings on investments	-	-	-	-
Other	-	-	-	-
Total revenues	4,256,550	4,256,550	3,958,830	(297,720)
Expenditures:				
Debt service	1,831,369	1,831,369	2,452,285	(620,916)
Total expenditures	1,831,369	1,831,369	2,452,285	(620,916)
Excess of revenues over (under) expenditures	2,425,181	2,425,181	1,506,545	(918,636)
Other financing sources (uses):				
Transfer in	390,000	390,000	390,000	-
Total other financing sources (uses):	390,000	390,000	390,000	-
Net change in fund balances	$ 2,815,181	$ 2,815,181	1,896,545	$ (918,636)
Fund balances - beginning - Budget and GAAP basis			2,073,370	
Fund balances - ending - Budget and GAAP basis			$ 3,969,915	

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Capital Project Funds
Year Ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Property taxes	$ 1,600,000	$ 1,600,000	$ 1,546,499	$ (53,501)
Earnings on investments	-	-	28,779	28,779
Miscellaneous	878,417	878,417	2,267,047	1,388,630
Total revenues	2,478,417	2,478,417	3,842,325	1,363,908
Expenditures:				
Capital outlay	37,193,323	37,193,323	28,135,813	9,057,510
Total expenditures	37,193,323	37,193,323	28,135,813	9,057,510
Excess of revenues over (under) expenditures	(34,714,906)	(34,714,906)	(24,293,488)	10,421,418
Other financing sources (uses):				
Loan proceeds	10,000,000	10,000,000	-	10,000,000
Bond proceeds	45,000,000	45,000,000	45,973,140	973,140
Transfer in	1,400,000	1,400,000	2,200,000	800,000
Transfer out	(390,000)	(390,000)	(390,000)	-
Total other financing sources (uses):	56,010,000	56,010,000	47,783,140	11,773,140
Net change in fund balances	$ 21,295,094	$ 21,295,094	23,489,652	$ 22,194,558
Fund balances - beginning - Budget and GAAP basis			14,462,959	
Fund balances - ending - Budget and GAAP basis			$ 37,952,611	

PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
115 N Main, Suite B
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC - Certified Public Accountant

Licensed in North Dakota and Montana

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Dickinson Public School District, Dickinson, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Dickinson Public School District, Dickinson, North Dakota's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

James J. Wosepka, PC
By James J. Wosepka CPA

Beach, North Dakota
November 29, 2016

PO Box 970
41 Central Ave S
Beach, ND 58621-0970
Phone: 701-872-4321
Fax: 701-872-4320

PO Box 602
115 N Main, Suite B
Baker, MT 59313-0602
Phone: 406-778-2816
Fax: 406-778-2866

James J. Wosepka, PC - Certified Public Accountant

Licensed in North Dakota and Montana

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Dickinson Public School District, Dickinson, North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dickinson Public School District, Dickinson, North Dakota's major federal programs for the year ended June 30, 2016. Dickinson Public School District, Dickinson, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dickinson Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* 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 Dickinson Public School District, Dickinson, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Dickinson Public School District, Dickinson, North Dakota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Dickinson Public School District, Dickinson, North Dakota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dickinson Public School District, Dickinson, North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Dickinson Public School District's internal control over compliance.

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

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

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

James J. Wosepka, PC
By James J. Wosepka, CPA

Beach, North Dakota
November 29, 2016

DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDIT RESULTS

1. The Auditor's Report expresses an unmodified opinion on the financial statements for the Dickinson Public School District.
2. No significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Dickinson Public School District were disclosed during the audit.
4. No significant deficiencies in internal control over major federal awards were disclosed during the audit.
5. The Auditor's Report on compliance for the major federal award programs for the Dickinson Public School District expresses an unmodified opinion on all major federal programs.
6. Our audit showed no findings relative to the major federal award program required to be reported under the Uniform Guidance – 2 CFR 200.516(a) for the Dickinson Public School District.
7. The programs tested as major programs include: Title I, Grants to LEA's CFDA # 84.010, Special Education, Title IDEA-B CFDA #'s 84.027 and 84.173.
8. The threshold for distinguishing Type A and B programs was $750,000.
9. The Dickinson Public School District is determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

NONE

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

NONE

D. SCHOOL DISTRICT'S RESPONSE

N/A

DICKINSON PUBLIC SCHOOL DISTRICT
Schedule of Expenditures Federal Awards
Year Ended June 30, 2016

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures	
U.S. Department of Agriculture					
Passed through State Department of Public Instruction:					
Food Distribution	10.550	45001-06	$	120,907	
National School Lunch Program	10.555	45001-06		472,134	
Fresh Fruits and Vegetables Program	10.582	45001-06		26,645	
Total U.S. Department of Agriculture				619,686	
U.S. Department of Education					
Passed through State Department of Vocational Education:					
Carl Perkins	84.048			53,957	
Passed through State Department of Public Instruction:					
Adult Education	84.002	45001-06		70,000	
Title I, Grants to LEA's	84.010	45001-06		711,095	*
Special Education, Title IDEA - B	84.027A	45001-06		834,937	*
Title IIA - Teacher & Principal Quality Training and Recruiting	84.367	45001-06		317,608	
Special Eduction, Preschool Grants	84.173	45001-06		18,419	*
21st Century Community Learning Centers	84.287	45001-06		234,346	
Total U.S. Department of Education				2,240,362	
U.S. Department of Health & Human Services					
Passed through State Department of Health & Human Services:					
Medicaid	93.714			58,182	
Passed through Community Action:					
Headstart	93.600			380,214	
Total U.S. Department of Health and Human Services				438,396	
Total Federal Financial Assistance			$	3,298,444	

*Major program or cluster as defined in the Uniform Guidance

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

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

1. Purpose of the schedule

The Schedule of Expenditures of Federal Awards (schedule) is a supplementary schedule to the financial statements and is presented for purposes of additional analysis. The schedule is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

2. Summary of significant accounting policies

A. Basis of presentation

Federal financial assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursements for services rendered to individuals. Accordingly, nonmonetary federal assistance may be included in federal financial assistance and therefore, may be reported on the schedule. Dickinson Public School District received $120,907 in nonmonetary federal assistance during 2016. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of federal domestic assistance

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

B. Major programs

The Uniform Guidance established the levels of expenditures to be used in defining major federal financial assistance programs. The dollar threshold to distinguish type A and type B programs was $750,000.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
JUNE 30, 2016

C. Reporting entity

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

D. Basis of accounting

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

E. Matching costs

The schedule does not include matching expenditures.

F. Indirect cost rate

The District has elected not to use the 10-percent de minimum indirect cost rate allowed under the Uniform Guidance.