

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

AUDIT REPORT
For the Years Ended June 30, 2015 and 2014

LERVIK
&
JOHNSON

Certified Public Accountants

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

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GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

SCHOOL DISTRICT OFFICIALS

June 30, 2015

| <u>Official</u> | <u>Position</u> |
|------------------------|----------------------|
| Lavern Johnson | Board President |
| Rick Foss | Board Vice-president |
| Sherry Amundson Norman | Board Member |
| Carlyle Norby | Board Member |
| Robert Field | Board Member |
| Brent Peterson | Board Member |
| Sara Berg | Board Member |
| Troy Walters | Superintendent |
| Jennifer McNamara | Business Manager |

June 30, 2014

| <u>Official</u> | <u>Position</u> |
|-------------------|----------------------|
| Lavern Johnson | Board President |
| Rick Foss | Board Vice-president |
| Sara Berg | Board Member |
| E. Michael Berg | Board Member |
| Carlyle Norby | Board Member |
| Brent Peterson | Board Member |
| Robert Field | Board Member |
| Troy Walters | Superintendent |
| Jennifer McNamara | Business Manager |

LERVIK & JOHNSON

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

School Board
Grenora Public School District No. 99
Grenora, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Grenora Public School District No. 99, Grenora, North Dakota, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 circumstance, 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 evaluation the appropriateness of accounting policies used and the reasonable ness 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 Grenora Public School District No. 99, Grenora, North Dakota, as of June 30, 2015 and 2014, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1, 15 and 18 to the financial statements, Grenora Public School District No. 99 adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which resulted in a restatement of the net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

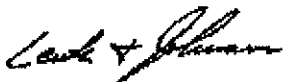
Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 36 and 37, the schedule of district's share of net pension liability for the last ten fiscal years on page 38, the schedules of district's contributions for the last ten fiscal years on page 39, and the related notes on page 40 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 on 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, on our consideration of Grenora Public School District No. 99'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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grenora Public School District No. 99's internal control over financial reporting and compliance.



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

January 21, 2016

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

STATEMENT OF NET POSITION
June 30, 2015

ASSETS:

| | |
|--|---------------------|
| Current Assets: | |
| Cash | \$ 3,592,503.04 |
| Taxes Receivable | 55,598.58 |
| Due from Local Sources | 23,158.42 |
| Due from State Government | 9,804.50 |
| Due from Federal Government | <u>84,064.00</u> |
| Total Current Assets | 3,765,128.54 |
| Capital Assets (Net of Accumulated Depreciation) | <u>2,872,269.27</u> |
| Total Assets | <u>6,637,397.81</u> |

DEFERRED OUTFLOWS OF RESOURCES:

| | |
|--|-------------------|
| Deferred Outflows Relating to Pensions | <u>153,793.07</u> |
|--|-------------------|

LIABILITIES:

| | |
|---------------------------------------|---------------------|
| Current Liabilities: | |
| Accounts Payable | 297,208.58 |
| Accrued Interest Payable | 37,455.62 |
| Current Portion of Bonds Payable | <u>85,000.00</u> |
| Total Current Liabilities | <u>419,664.20</u> |
| Noncurrent Liabilities: | |
| Bonds Payable, Net of Current Portion | 2,900,000.00 |
| Premium on Bonds Payable | <u>32,520.98</u> |
| | 2,932,520.98 |
| Compensated Absences | 3,360.00 |
| Net Pension Liabilities | <u>1,751,823.00</u> |
| Total Noncurrent Liabilities | <u>4,687,703.98</u> |
| Total Liabilities | <u>5,107,368.18</u> |

DEFERRED INFLOWS OF RESOURCES:

| | |
|---------------------------------------|-------------------|
| Deferred Inflows Relating to Pensions | <u>199,011.00</u> |
|---------------------------------------|-------------------|

NET POSITION:

| | |
|----------------------------------|------------------------|
| Net Investment in Capital Assets | 1,443,786.99 |
| Restricted for: | |
| Debt Service | 199,438.03 |
| Capital Projects | 761,849.27 |
| Unrestricted | <u>(920,262.59)</u> |
| Total Net Position | <u>\$ 1,484,811.70</u> |

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

STATEMENT OF NET POSITION
June 30, 2014

ASSETS:

Current Assets:

| | |
|-----------------------------|---------------|
| Cash | \$ 957,017.33 |
| Taxes Receivable | 67,431.81 |
| Due from Local Sources | 9,191.78 |
| Due from State Government | 9,689.00 |
| Due from Federal Government | 38,941.14 |

Total Current Assets 1,082,271.06

Capital Assets (Net of Accumulated Depreciation) 1,351,617.46

Total Assets 2,433,888.52

LIABILITIES:

Current Liabilities:

| | |
|------------------|----------|
| Accounts Payable | 8,067.96 |
|------------------|----------|

Noncurrent Liabilities:

| | |
|----------------------|----------|
| Compensated Absences | 2,455.00 |
|----------------------|----------|

Total Liabilities 10,522.96

NET POSITION:

| | |
|----------------------------------|--------------|
| Net Investment in Capital Assets | 1,351,617.46 |
| Unrestricted | 1,071,748.10 |

Total Net Position \$ 2,423,365.56

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

| | | Program Revenues | | Net (Expense) |
|--|------------------------|----------------------------|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Revenue and Changes In Net Position |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Regular Programs | \$ 1,710,568.33 | \$ 7,641.96 | \$ 11,886.50 | \$ (1,691,039.87) |
| Federal Programs | 81,555.21 | - | 95,618.00 | 14,062.79 |
| Special Education | 68,215.24 | - | - | (68,215.24) |
| Other Programs and Services | 9,115.93 | - | - | (9,115.93) |
| District Wide Services | 91,337.40 | - | - | (91,337.40) |
| Administration | 254,367.78 | - | - | (254,367.78) |
| Operations and Maintenance | 664,019.39 | - | - | (664,019.39) |
| Food Service | 150,469.30 | 28,889.74 | 43,767.61 | (77,811.95) |
| Transportation | 234,295.21 | - | 112,560.09 | (121,735.12) |
| Student Activities | 131,695.04 | - | - | (131,695.04) |
| Interest and Service Fees | 112,488.48 | - | - | (112,488.48) |
| | | | | |
| Total Governmental Activities | <u>\$ 3,508,127.31</u> | <u>\$ 36,531.70</u> | <u>\$ 263,832.20</u> | <u>\$ (3,207,763.41)</u> |
| General Revenues: | | | | |
| Property Taxes; levied for general purposes | | | | 1,508,538.09 |
| State aid-not restricted to specific programs | | | | 2,505,063.35 |
| Earnings on investments and miscellaneous revenue | | | | 86,639.80 |
| Total General Revenues | | | | 4,100,241.24 |
| | | | | |
| Change in Net Position | | | | 892,477.83 |
| | | | | |
| Net Position - July 1 | | | | 2,423,365.56 |
| | | | | |
| Restatement (Note 18) | | | | (1,831,031.69) |
| | | | | |
| Net Position - July 1, as Restated | | | | 592,333.87 |
| | | | | |
| Net Position - June 30 | | | | \$ 1,484,811.70 |

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

| | Program Revenues | | | Net (Expense) |
|--|------------------|---------------|---------------|-------------------|
| | Charges | Operating | Grants and | Revenue and |
| | for | Contributions | Changes | In Net Position |
| Expenses | Services | Contributions | Contributions | In Net Position |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Regular Programs | \$ 1,474,465.90 | \$ 45,851.81 | \$ 10,969.00 | \$ (1,417,645.09) |
| Federal Programs | 26,291.41 | - | 37,950.00 | 11,658.59 |
| Special Education | 74,951.73 | - | 71,444.11 | (3,507.62) |
| District Wide Services | 100,641.97 | - | - | (100,641.97) |
| Administration | 202,695.62 | - | - | (202,695.62) |
| Operations and Maintenance | 393,257.73 | - | - | (393,257.73) |
| Food Service | 138,274.84 | 31,744.72 | 43,245.98 | (63,284.14) |
| Transportation | 211,629.12 | - | 82,191.55 | (129,437.57) |
| Student Activities | 94,857.39 | - | - | (94,857.39) |
| Total Governmental Activities | \$ 2,717,065.71 | \$ 77,596.53 | \$ 245,800.64 | \$ (2,393,668.54) |
| <u>General Revenues:</u> | | | | |
| Property Taxes; levied for general purposes | | | | 943,907.04 |
| State aid-not restricted to specific programs | | | | 1,748,384.13 |
| Earnings on investments and miscellaneous revenue | | | | 51,304.89 |
| Total General Revenues | | | | 2,743,596.06 |
| Change in Net Position | | | | 349,927.52 |
| Net Position - July 1 | | | | 2,073,438.04 |
| Net Position - June 30 | | | | \$ 2,423,365.56 |

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

| | General | Special Revenue | Debt Service | Capital Projects | Total Governmental Funds |
|--|----------------------|---------------------|------------------------|------------------------|--------------------------------|
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 418,312.49 | \$ 17,776.48 | \$ 2,821,745.09 | \$ 334,668.98 | \$ 3,592,503.04 |
| Taxes Receivable | 45,687.87 | - | 1,356.86 | 8,553.85 | 55,598.58 |
| Due from Local Sources | 17,876.10 | - | 3,313.94 | 1,968.38 | 23,158.42 |
| Due from State Government | 9,804.50 | - | - | - | 9,804.50 |
| Due from Federal Government | 84,064.00 | - | - | - | 84,064.00 |
| Due from Other Funds | 13,618.23 | - | - | 2,612,002.77 | 2,625,621.00 |
| Total Assets | \$ 589,363.19 | \$ 17,776.48 | \$ 2,826,415.89 | \$ 2,957,193.98 | \$ 6,390,749.54 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES: | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | \$ 8,618.18 | \$ - | \$ - | \$ 288,590.40 | \$ 297,208.58 |
| Due to Other Funds | - | - | 2,625,621.00 | - | 2,625,621.00 |
| Total Current Liabilities | 8,618.18 | - | 2,625,621.00 | 288,590.40 | 2,922,829.58 |
| Deferred Inflows of Resources: | | | | | |
| Property Taxes Uncollected | 45,687.87 | - | 1,356.86 | 8,553.85 | 55,598.58 |
| FUND BALANCES: | | | | | |
| Restricted | - | - | 199,438.03 | 2,350,887.97 | 2,550,326.00 |
| Committed | - | - | - | 309,161.76 | 309,161.76 |
| Assigned | - | 17,776.48 | - | - | 17,776.48 |
| Unassigned | 535,057.14 | - | - | - | 535,057.14 |
| Total Fund Balances | 535,057.14 | 17,776.48 | 199,438.03 | 2,660,049.73 | 3,412,321.38 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 589,363.19 | \$ 17,776.48 | \$ 2,826,415.89 | \$ 2,957,193.98 | \$ 6,390,749.54 |

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

| | General | Special Revenue | Capital Projects | Total Governmental Funds |
|--|----------------------|---------------------|----------------------|--------------------------------|
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash | \$ 311,195.84 | \$ 31,973.60 | \$ 613,847.89 | \$ 957,017.33 |
| Taxes Receivable | 62,120.66 | - | 5,311.15 | 67,431.81 |
| Due from Local Sources | 8,462.91 | - | 728.87 | 9,191.78 |
| Due from State Government | 9,689.00 | - | - | 9,689.00 |
| Due from Federal Government | 37,950.00 | 991.14 | - | 38,941.14 |
| Total Assets | \$ 429,418.41 | \$ 32,964.74 | \$ 619,887.91 | \$ 1,082,271.06 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ 7,652.96 | \$ - | \$ 415.00 | \$ 8,067.96 |
| Deferred Inflows of Resources: | | | | |
| Property Taxes Uncollected | 62,120.66 | - | 5,311.15 | 67,431.81 |
| FUND BALANCES: | | | | |
| Committed | - | - | 614,161.76 | 614,161.76 |
| Assigned | - | 32,964.74 | - | 32,964.74 |
| Unassigned | 359,644.79 | - | - | 359,644.79 |
| Total Fund Balances | 359,644.79 | 32,964.74 | 614,161.76 | 1,006,771.29 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 429,418.41 | \$ 32,964.74 | \$ 619,887.91 | \$ 1,082,271.06 |

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Fund Balances for Governmental Funds \$ 3,412,321.38

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources, so are not reported in the governmental funds.

| | | |
|-------------------------------|-----------------------|--------------|
| Cost of Capital Assets | 3,927,920.73 | |
| Less Accumulated Depreciation | <u>(1,055,651.46)</u> | |
| Net Capital Assets | | 2,872,269.27 |

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

55,598.58

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position.

| | | |
|--------------------------|-----------------------|----------------|
| Bonds Payable | (2,985,000.00) | |
| Accrued Interest Payable | (37,455.62) | |
| Compensated Absences | (3,360.00) | |
| Net Pension Liability | <u>(1,751,823.00)</u> | |
| | | (4,777,638.62) |

Premiums on bonds payable are treated as other financing sources in the governmental funds, but are deferred to future periods in the Statement of Net Position (amortized over the life of the bonds).

(32,520.98)

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

| | | |
|--|---------------------|--|
| Deferred Outflows of Resources Related to Pensions | 153,793.07 | |
| Deferred Inflows of Resources Related to Pensions | <u>(199,011.00)</u> | |

Total Net Position of Governmental Activities \$ 1,484,811.70

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

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

Total Fund Balances for Governmental Funds \$ 1,006,771.29

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities
are not current financial resources, so are
not reported in the governmental funds.

| | | |
|-------------------------------|-----------------------|--------------|
| Cost of Capital Assets | 2,372,531.58 | |
| Less Accumulated Depreciation | <u>(1,020,914.12)</u> | |
| Net Capital Assets | | 1,351,617.46 |

Property taxes will be collected after
year-end, but are not available soon
enough to pay for the current period's
expenditures and therefore are reported
as deferred inflows of resources in the
governmental funds. 67,431.81

Long-term liabilities applicable to the
District's governmental activities are
not due and payable in the current period
and, accordingly, are not reported in the
governmental funds. Interest on long-term
debt is not accrued in governmental funds,
but rather is recognized as an expenditure
when due. All liabilities, both current
and long-term, are reported in the
Statement of Net Position. This consists of
the balance for compensated absences at
June 30, 2014. (2,455.00)

Total Net Position of Governmental Activities \$ 2,423,365.56

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

| | General | Special Revenue | Debt Service | Capital Projects | Total Governmental Funds |
|--|----------------------|---------------------|----------------------|------------------------|--------------------------------|
| Revenues: | | | | | |
| Local Sources | \$ 1,286,553.16 | \$ 31,295.66 | \$ 199,491.22 | \$ 176,202.78 | \$ 1,693,542.82 |
| State Sources | 2,132,211.06 | 853.00 | - | 445,216.88 | 2,578,280.94 |
| Federal Sources | 97,700.00 | 42,914.61 | - | - | 140,614.61 |
| Total Revenues | 3,516,464.22 | 75,063.27 | 199,491.22 | 621,419.66 | 4,412,438.37 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Regular Programs | 1,686,312.62 | - | - | - | 1,686,312.62 |
| Federal Programs | 81,555.21 | - | - | - | 81,555.21 |
| Special Education | 68,215.24 | - | - | - | 68,215.24 |
| Other Programs and Services | 9,115.93 | - | - | - | 9,115.93 |
| District Wide Services | 91,337.40 | - | - | - | 91,337.40 |
| Administration | 254,314.59 | - | 53.19 | - | 254,367.78 |
| Operations and Maintenance | 297,449.08 | - | - | 366,570.31 | 664,019.39 |
| Food Services | 60,217.77 | 90,251.53 | - | - | 150,469.30 |
| Transportation | 205,287.67 | - | - | - | 205,287.67 |
| Student Activities | 131,695.04 | - | - | - | 131,695.04 |
| Capital Outlay | 130,551.32 | - | - | 1,476,449.50 | 1,607,000.82 |
| Debt Service: | | | | | |
| Interest and Service Fees | - | - | - | 76,086.08 | 76,086.08 |
| Total Expenditures | 3,016,051.87 | 90,251.53 | 53.19 | 1,919,105.89 | 5,025,462.48 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 500,412.35 | (15,188.26) | 199,438.03 | (1,297,686.23) | (613,024.11) |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | - | - | - | 325,000.00 | 325,000.00 |
| Transfers Out | (325,000.00) | - | - | - | (325,000.00) |
| Bond Proceeds | - | - | - | 3,018,574.20 | 3,018,574.20 |
| Total Other Financing Sources (Uses) | (325,000.00) | - | - | 3,343,574.20 | 3,018,574.20 |
| Net Change in Fund Balances | 175,412.35 | (15,188.26) | 199,438.03 | 2,045,887.97 | 2,405,550.09 |
| Fund Balance - July 1 | 359,644.79 | 32,964.74 | - | 614,161.76 | 1,006,771.29 |
| Fund Balance - June 30 | \$ 535,057.14 | \$ 17,776.48 | \$ 199,438.03 | \$ 2,660,049.73 | \$ 3,412,321.38 |

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

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

| | General | Special Revenue | Capital Projects | Total Governmental Funds |
|---|----------------------|---------------------|----------------------|--------------------------------|
| <u>Revenues:</u> | | | | |
| Local Sources | \$ 1,018,207.65 | \$ 34,054.11 | \$ 85,977.07 | \$ 1,138,238.83 |
| State Sources | 1,840,264.68 | 353.68 | - | 1,840,618.36 |
| Federal Sources | 39,230.00 | 42,892.30 | - | 82,122.30 |
| Total Revenues | 2,897,702.33 | 77,300.09 | 85,977.07 | 3,060,979.49 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Regular Programs | 1,442,167.98 | - | - | 1,442,167.98 |
| Federal Programs | 26,291.41 | - | - | 26,291.41 |
| Special Education | 74,951.73 | - | - | 74,951.73 |
| District Wide Services | 100,641.97 | - | - | 100,641.97 |
| Administration | 202,695.62 | - | - | 202,695.62 |
| Operations and Maintenance | 308,184.89 | - | 85,072.84 | 393,257.73 |
| Food Services | 64,152.93 | 74,121.91 | - | 138,274.84 |
| Transportation | 170,225.02 | - | - | 170,225.02 |
| Student Activities | 94,857.39 | - | - | 94,857.39 |
| Capital Outlay | 203,472.12 | - | 76,312.01 | 279,784.13 |
| Total Expenditures | 2,687,641.06 | 74,121.91 | 161,384.85 | 2,923,147.82 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 210,061.27 | 3,178.18 | (75,407.78) | 137,831.67 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers In | - | - | 630,000.00 | 630,000.00 |
| Transfers Out | (630,000.00) | - | - | (630,000.00) |
| Total Other Financing Sources (Uses) | (630,000.00) | - | 630,000.00 | - |
| Net Change in Fund Balances | (419,938.73) | 3,178.18 | 554,592.22 | 137,831.67 |
| Fund Balance - July 1 | 779,583.52 | 29,786.56 | 59,569.54 | 868,939.62 |
| Fund Balance - June 30 | \$ 359,644.79 | \$ 32,964.74 | \$ 614,161.76 | \$ 1,006,771.29 |

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net Change in Fund Balances-Total Governmental Funds \$ 2,405,550.09

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|-----------------------------------|--------------------|--------------|
| Current Year Capital Outlay | 1,607,000.82 | |
| Current Year Depreciation Expense | (68,708.97) | |
| Loss on Disposal of Assets | <u>(17,640.04)</u> | |
| | | 1,520,651.81 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This consists of the net increase in compensated absences. (905.00)

Proceeds from issuing noncurrent liabilities provide current financial resources to governmental funds, but issuing debt increases noncurrent liabilities in the Statement of Net Position. Repayment of noncurrent liabilities is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. Additionally, premiums or discounts related to the debt are included on the Statement of Net Position and amortized to interest expense over the life of the debt in the Statement of Activities.

| | | |
|---|--------------------|----------------|
| Proceeds from issuance of Bonds Payable | (2,985,000.00) | |
| Premium on Bonds Payable | (33,574.20) | |
| Amortization of Bond Premium | 1,053.22 | |
| Accrued Interest Payable | <u>(37,455.62)</u> | |
| | | (3,054,976.60) |

Some revenues reported in the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable. (11,833.23)

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contribution is reported as pension expense. 33,990.76

Net change in Net Position of Governmental Activities \$ 892,477.83

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

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

Net Change in Fund Balances-Total Governmental Funds \$ 137,831.67

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|-----------------------------------|--------------------|------------|
| Current Year Capital Outlay | 279,784.13 | |
| Current Year Depreciation Expense | (61,151.80) | |
| Loss on Disposal of Assets | <u>(13,145.22)</u> | |
| | | 205,487.11 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This consists of the net decrease in compensated absences. 595.00

Some revenues reported in the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable. 6,013.74

Net change in Net Position of Governmental Activities \$ 349,927.52

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

ASSETS:

Current Assets:

Cash and Investments \$ 15,671.55

LIABILITIES:

Current Liabilities:

Due to Student Activities Groups 15,671.55

NET POSITION:

Unrestricted \$ -

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

ASSETS:

Current Assets:

Cash and Investments \$ 29,883.04

LIABILITIES:

Current Liabilities:

Due to Student Activities Groups 29,883.04

NET POSITION:

Unrestricted \$ -

The accompanying notes are an integral part of these financial statements.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school district have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the Grenora Public School District No. 99. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district are such that exclusion would cause the school district's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body or an organization being fiscally dependent and (1) the ability of the Bottineau Public School District No. 1 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, Grenora Public School District No. 99.

Based on these criteria, there are no component units to be included within the Grenora Public School District No. 99 as a reporting entity.

B. Financial Statement Presentation

Government-wide financial statements: The Statement of Net Position and the Statement of Activities display information about the primary government, Grenora Public School District. These statements include the financial activities of the overall government, except fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Position presents the school district's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

Fund Financial Statements: 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. Any remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental funds:

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

Special Revenue Fund. This includes the school district's hot lunch operating fund and special reserve fund. It accounts for all financial resources related to food service, and proceeds from other special revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund. The debt service fund is used to account for financial resources to be used for the repayment of principal and interest on long-term debt.

Capital Projects Fund. This the school district's financial resources fund. It accounts for the acquisition, construction, maintenance and insurance of major facilities.

The school district does not have any nonmajor governmental funds.

The school district reports the following fiduciary fund type:

Agency Fund. This fund accounts for assets held by the school district in a custodial capacity as an agent on behalf of others. The school district's agency fund is used to account for various deposits of the student activity funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe **how** transactions are recorded within the various financial statements, and include the economic resources measurement focus and the current financial resources measurement focus.

Economic resources measurement focus: The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or non-financial) are reported in the financial statements.

Current financial resources measurement focus: Under this measurement focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available, spendable financial resources during any given period. Using the current financial resources measurement focus, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. This measurement focus also requires capital asset acquisitions to be reported as expenditures, and proceeds of general long-term debt and acquisitions under capital leases to be reported as other financing sources.

Basis of accounting refers to **when** the transactions are recorded, regardless of the measurement focus applied. The school district uses the accrual and the modified accrual bases of accounting, as discussed below.

Government-wide Financial Statements

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the school district gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting in the governmental fund financial statements. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the school district considers revenue to be available if they are collected within 60 days after year-end. All revenues are considered to be susceptible to accrual.

Under the modified accrual basis of accounting, expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, differences exist from accrual accounting related primarily to payments involving long-term assets and liabilities. These differences were discussed above in the explanation of the current financial resources measurement focus.

D. Budgets

Based upon available financial information and requests by the school board, the business manager prepares the school district budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. The school district does not prepare a budget for the food service fund, as state law does not require a budget for the food service fund. Since a budget was not prepared, the statement comparing budget and actual results could not be prepared. All annual appropriations lapse at year-end.

School district taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county August 25. The governing body of the school district may amend its tax levy and budget of the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit with original maturities of three months or less. These amounts must be deposited with Bank of North Dakota or in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the school district 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 in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- d) Obligations of the state.

F. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

G. Capital Assets

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

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

| | |
|-----------|----------------|
| Buildings | 30 to 80 years |
| Equipment | 10 years |
| Vehicles | 15 to 19 years |

H. Noncurrent Obligations

Noncurrent obligations may include long-term debt, compensated absences and net pension liabilities. In the government-wide financial statements, noncurrent obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums or discounts are capitalized and amortized over the term of the related obligation. Bond issuance costs are recorded as expenditures when paid.

Long-Term Debt

With respect to the presentation of governmental funds in the governmental fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences

Employees earn sick leave at the rate of 10 days per year, which can accumulate up to 120 days. Upon termination, unused sick leave is paid at a rate of \$10 per day.

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.

I. Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed Fund Balance - represents amounts that can only be used for specific purposes imposed by a formal action of the school district's highest level of decision-making authority, the school board. Committed resources cannot be used for any other purpose unless the school board removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned Fund Balance - represents amounts the school district intends to use for specific purposes as expressed by the school board or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. As of June 30, 2015, the school board has not granted any official the right to assign amounts to a specific purpose.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the school district's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then unassigned fund balances. The school district has not established a policy for its use of unrestricted fund balance amounts. As such, it considers committed amounts to be reduced first, followed by assigned amounts, and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. New Accounting Pronouncements

As of July 1, 2014, the school district adopted GASB No 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 18 and the additional disclosures required by these standards are included in Note 15.

NOTE 2: DEPOSITS

The school district's deposits at June 30, 2015 and 2014 were entirely covered by federal depository insurance or by collateral held by the school district's agent in the school district's name.

Custodial and Concentration of credit risk:

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the school district will not be able to recover collateral securities that are in the possession of an outside party. As discussed in Note 1-E, state statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. As discussed above, the school district's deposits were adequately protected by insurance or collateral during the current fiscal year. These deposits are Category 1 deposits that include insured and registered investments for which the securities are held by the school district.

Interest rate risk:

Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its investment policy, the school district invests its operating funds primarily in short term certificates of deposit and limits the average maturity in accordance with the school district's cash requirements.

NOTE 3: TAXES RECEIVABLE

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

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

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

NOTE 4: DUE FROM LOCAL SOURCES

The amount due from local sources consists of the cash on hand for taxes collected but not remitted to the school district at June 30 and money due from local sources.

NOTE 5: DUE FROM STATE GOVERNMENT

The amount due from state government consists of the final reimbursement from North Dakota Career and Technical Education.

NOTE 6: DUE FROM FEDERAL GOVERNMENT

The amount due from federal government consists of the final reimbursement claims from Title I and IIA at June 30, 2015 and 2014, as well as the Fresh Fruits and Vegetables program at June 30, 2014.

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2015:

| | Balance 7/1/2014 | Increases | Deletions | Balance 6/30/2015 |
|--|------------------------|------------------------|----------------------|------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land | \$ 3,000.00 | \$ 30,000.00 | \$ - | \$ 33,000.00 |
| Construction in Progress | 61,588.01 | 1,399,535.50 | 293,384.59 | 1,167,738.92 |
| Total Capital Assets Not Being Depreciated | \$ 64,588.01 | \$ 1,429,535.50 | \$ 293,384.59 | \$ 1,200,738.92 |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Buildings | \$ 1,357,831.61 | \$ 293,384.59 | \$ 49,000.00 | \$ 1,602,216.20 |
| Equipment | 429,807.75 | 127,465.32 | - | 557,273.07 |
| Vehicles | 520,304.21 | 97,010.04 | 49,621.71 | 567,692.54 |
| Total Capital Assets, Being Depreciated | 2,307,943.57 | 517,859.95 | 98,621.71 | 2,727,181.81 |
| <i>Less Accumulated Depreciation For:</i> | | | | |
| Buildings | 626,109.92 | 23,864.39 | 31,359.96 | 618,614.35 |
| Equipment | 321,825.14 | 15,837.04 | - | 337,662.18 |
| Vehicles | 72,979.06 | 29,007.54 | 2,611.67 | 99,374.93 |
| Total Accumulated Depreciation | 1,020,914.12 | 68,708.97 | 33,971.63 | 1,055,651.46 |
| Total Capital Assets Being Depreciated, Net | \$ 1,287,029.45 | \$ 449,150.98 | \$ 64,650.08 | \$ 1,671,530.35 |

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

| | |
|--|---------------------|
| <u>Governmental Activities:</u> | |
| Regular Programs | \$ 39,701.43 |
| Transportation | 29,007.54 |
| Total Depreciation- Governmental Activities | \$ 68,708.97 |

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

| | Balance 7/1/2013 | Increases | Deletions | Balance 6/30/2014 |
|--|------------------------|----------------------|---------------------|------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land | \$ 3,000.00 | \$ - | \$ - | \$ 3,000.00 |
| Construction in Progress | - | 61,588.01 | - | 61,588.01 |
| Total Capital Assets Not Being Depreciated | \$ 3,000.00 | \$ 61,588.01 | \$ - | \$ 64,588.01 |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Buildings | \$ 1,357,831.61 | \$ - | \$ - | \$ 1,357,831.61 |
| Equipment | 408,329.13 | 21,478.62 | - | 429,807.75 |
| Vehicles | 350,065.00 | 231,339.21 | 61,100.00 | 520,304.21 |
| Total Capital Assets, Being Depreciated | 2,116,225.74 | 252,817.83 | 61,100.00 | 2,307,943.57 |
| <i>Less Accumulated Depreciation For:</i> | | | | |
| Buildings | 602,245.55 | 23,864.38 | - | 626,109.93 |
| Equipment | 312,796.60 | 9,028.54 | - | 321,825.14 |
| Vehicles | 58,053.24 | 28,258.88 | 13,333.07 | 72,979.05 |
| Total Accumulated Depreciation | 973,095.39 | 61,151.80 | 13,333.07 | 1,020,914.12 |
| Total Capital Assets Being Depreciated, Net | \$ 1,143,130.35 | \$ 191,666.03 | \$ 47,766.93 | \$ 1,287,029.45 |

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

| | |
|--|---------------------|
| <u>Governmental Activities:</u> | |
| Regular Programs | \$ 32,892.92 |
| Transportation | 28,258.88 |
| Total Depreciation- Governmental Activities | \$ 61,151.80 |

The construction in progress relates to a renovation project which includes expansion of the school (including a new multipurpose room, locker rooms and class space).

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED INTEREST PAYABLE

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

Accrued interest payable stems from the interest accrued but not yet paid on the bonds payable.

NOTE 9: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Like revenues and expenses, deferrals represent flows of resources into and out of a government during the fiscal year. However, unlike revenues and expenses, which are inflows and outflows of resources related to the period in which they occur, deferrals are related to future periods.

Deferred inflows and outflows on the school district's statement of net position are related to the determination of the school district's net pension liability and pension expense, as detailed in Note 15.

Deferred inflows of resources on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting such amounts are measurable but not available. The school district's only deferred inflow of financial resources on its fund financial statements is uncollected property taxes, which are not expected to be collected within the allotted 60 day time period after year end in order to qualify as available under the school district's policy.

NOTE 10: DUE TO/FROM OTHER FUNDS

The amount due to and from other funds stems from the cash proceeds of the bonds payable, which were deposited into the debt service fund rather than general and capital projects funds. At June 30, 2015, the debt service fund owes the general fund \$13,618.23 and the capital projects fund \$2,612,002.77. The school district intends to pay off the balances during the school year ended June 30, 2016.

NOTE 11: NONCURRENT LIABILITIES

During the year-ended June 30, 2015, the following changes occurred in noncurrent liabilities:

| | Balance 7/1/2014 | Additions | Deletions | Balance 6/30/2015 |
|----------------------|---------------------|------------------------|-------------|------------------------|
| Bonds Payable | \$ - | \$ 2,985,000.00 | \$ - | \$ 2,985,000.00 |
| Compensated Absences | 2,455.00 | 905.00 | - | 3,360.00 |
| | <u>\$ 2,455.00</u> | <u>\$ 2,985,905.00</u> | <u>\$ -</u> | <u>\$ 2,988,360.00</u> |

During the year-ended June 30, 2014, the following changes occurred in noncurrent liabilities:

| | Balance 7/1/2013 | Additions | Deletions | Balance 6/30/2014 |
|----------------------|---------------------|-----------|-----------|----------------------|
| Compensated Absences | \$ 3,050.00 | \$ - | \$ 595.00 | \$ 2,455.00 |

Bonds Payable

On November 13, 2014, the school district issued \$2,985,000.00 in General Obligation School Building Bonds, Series 2014. Bond payments are due in annual installments ranging from \$85,000.00 to \$195,000.00, commencing on August 1, 2015. Final payment is due August 1, 2034. Interest ranges from 2.0 percent through 3.125 percent per annum, and is due semiannually on February 1 and August 1, with payments beginning on August 1, 2015. The bond proceeds are being used to renovate and expand the school, including a new multipurpose room, locker rooms and class space. The bond payable and its related premium (as discussed below) were recorded in the school district's statement of net position.

The net proceeds included a premium of \$33,574.20. The bond premium was capitalized and will be amortized to interest expense on a straight-line basis, as the difference between the straight-line and effective interest methods is immaterial. The amount amortized during the year ended June 30, 2015 was \$1,053.22.

The first annual payment of \$85,000 is due on August 1, 2015 (in the upcoming fiscal year). As of June 30, 2015, future payments related to noncurrent debt are scheduled as follows:

| Year Ending | Principal | Interest | Total |
|---------------|------------------------|----------------------|------------------------|
| June 30 | | | |
| 2016 | \$ 85,000.00 | \$ 92,521.57 | \$ 177,521.57 |
| 2017 | 125,000.00 | 73,793.76 | 198,793.76 |
| 2018 | 125,000.00 | 71,293.76 | 196,293.76 |
| 2019 | 130,000.00 | 68,743.76 | 198,743.76 |
| 2020 | 130,000.00 | 66,143.76 | 196,143.76 |
| 2021-2025 | 695,000.00 | 289,787.55 | 984,787.55 |
| 2026-2030 | 780,000.00 | 198,606.30 | 978,606.30 |
| 2031-2034 | 915,000.00 | 72,503.17 | 987,503.17 |
| Totals | \$ 2,985,000.00 | \$ 933,393.63 | \$ 3,918,393.63 |

NOTE 12: FUND BALANCE

Fund balance as of June 30, 2015 is as follows:

| | General | Special Revenue | Debt Service | Capital Projects | Total |
|-----------------------|----------------------|---------------------|----------------------|------------------------|------------------------|
| Fund Balances: | | | | | |
| Restricted | | | | | |
| Debt Service | \$ - | \$ - | \$ 199,438.03 | \$ - | \$ 199,438.03 |
| Capital Projects | - | - | - | 2,350,887.97 | 2,350,887.97 |
| Committed | | | | | |
| Capital Projects | - | - | - | 309,161.76 | 309,161.76 |
| Assigned | | | | | |
| Food Service | - | 17,776.48 | - | - | 17,776.48 |
| Unassigned | 535,057.14 | - | - | - | 535,057.14 |
| | \$ 535,057.14 | \$ 17,776.48 | \$ 199,438.03 | \$ 2,660,049.73 | \$ 3,412,321.38 |

Fund balance as of June 30, 2014 is as follows:

| | General | Special Revenue | Capital Projects | Total |
|-----------------------|----------------------|---------------------|----------------------|------------------------|
| Fund Balances: | | | | |
| Committed | | | | |
| Capital Projects | \$ - | \$ - | \$ 614,161.76 | \$ 614,161.76 |
| Assigned | | | | |
| Food Service | - | 32,964.74 | - | 32,964.74 |
| Unassigned | 359,644.79 | - | - | 359,644.79 |
| | \$ 359,644.79 | \$ 32,964.74 | \$ 614,161.76 | \$ 1,006,771.29 |

NOTE 13: RESTRICTED NET POSITION

Restricted net position consists of tax dollars levied for the debt service fund to be used for principal and interest payments on the bond payable, as well as bond proceeds and tax dollars levied for capital project purposes.

NOTE 14: TRANSFERS

The general fund transferred \$325,000.00 and \$630,000.00 to the capital projects fund during the years ended June 30, 2015 and 2014, respectively, primarily to pay for construction costs related to the renovation and expansion project.

NOTE 15: PENSION PLANS

North Dakota Teacher's Fund For Retirement (TFFR)

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary (9.75% at June 30, 2014) 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 (10.75% at June 30, 2014). 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 70%. 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 (All Plans)

At June 30, 2015, the school district reported a total liability of \$1,751,823.00 for its proportionate share of TFFR's net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The school district's proportion of the net pension liability was based on the school district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2014, the school district's proportion related to TFFR was 0.167187 percent.

For the year ended June 30, 2015 the school district recognized total pension expense of \$106,487.00. For the year ended June 30, 2014 (prior to the implementation of GASB No. 68), the school district recognized total pension expense of \$104,250.37. At June 30, 2015 the school district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | TFFR | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 13,395.00 | \$ - |
| Changes of assumption | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 199,011.00 |
| Changes in proportion and differences between district contributions and proportionate share of contributions | - | - |
| District contributions subsequent to the measurement date | 140,398.07 | - |
| Total | \$ 153,793.07 | \$ 199,011.00 |

\$140,398.07 reported as deferred outflows of resources related to pensions resulting from the school district's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

| | <u>TFFR</u> |
|---------------------|----------------|
| Year Ended June 30: | |
| 2016 | \$ (47,520.00) |
| 2017 | (47,520.00) |
| 2018 | (47,520.00) |
| 2019 | (47,520.00) |
| 2020 | 2,233.00 |
| Thereafter | 2,233.00 |

Actuarial assumptions:

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

| | <u>TFFR</u> |
|----------------------------|---|
| Inflation | 3.00% |
| Salary Increases | 4.50% to 14.75%, varying by service, including inflation and productivity |
| Investment rate of return | 8.00%, net of investment expenses |
| Cost-of-living adjustments | None |

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively. The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2014 funding actuarial valuation for TFFR.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|-------------------|---|
| Global Equities | 57% | 7.53% |
| Global Fixed Income | 22% | 1.40% |
| Global Real Assets | 20% | 5.38% |
| Cash Equivalents | 1% | 0.00% |

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (All Plans)

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

| | District's Proportionate Share of Net Pension Liability | | |
|------|---|-----------------|------------------|
| | Current Discount | | |
| | 1% Decrease (7%) | Rate (8%) | 1% Increase (9%) |
| TFFR | \$ 2,365,287.00 | \$ 1,751,823.00 | \$ 1,235,883.00 |

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

NOTE 16: RISK MANAGEMENT

The Grenora Public School District No. 99 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Grenora Public School District No. 99 pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

The Grenora Public School District No. 99 also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Grenora Public School District No. 99 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 one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the political subdivision with blanket fidelity bond coverage in the amount of \$800,000.00 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Grenora Public School District No. 99 has insurance with North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 17: EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures exceeded budget in the general fund as follows:

| | |
|--------------------------|---------------------|
| Year Ended June 30, 2014 | <u>\$ 82,428.82</u> |
|--------------------------|---------------------|

No remedial action is anticipated or required by the school district regarding these excess expenditures.

NOTE 18: RESTATEMENT DUE TO ADOPTION OF ACCOUNTING STANDARDS

As of July 1, 2014, the school district adopted GASB No 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their financial statements, including additional note disclosure and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

| | |
|--|----------------------|
| Net Position at June 30, 2014, as previously reported | \$ 2,423,365.56 |
| Net Pension Liability at June 30, 2014* | (1,935,281.69) |
| Deferred Outflows of Resources related to contributions made during the year ending June 30, 2014 | <u>104,250.00</u> |
| Net Position at July 1, 2014, as restated | <u>\$ 592,333.87</u> |

*measurement date of June 30, 2013

NOTE 19: SUBSEQUENT EVENTS

The school district has evaluated subsequent events through January 21, 2016, the date which the financial statements were available to be issued.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
For the Year Ended June 30, 2015

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---------------------------------|----------------------|------------------------------------|
| <u>Revenues:</u> | | | |
| Local Sources | \$ 1,228,009.15 | \$ 1,286,553.16 | \$ 58,544.01 |
| State Sources | 2,042,679.48 | 2,132,211.06 | 89,531.58 |
| Federal Sources | 65,592.00 | 97,700.00 | 32,108.00 |
| Total Revenues | 3,336,280.63 | 3,516,464.22 | 180,183.59 |
| <u>Expenditures:</u> | | | |
| <u>Current:</u> | | | |
| Regular Programs | 1,688,225.25 | 1,686,312.62 | 1,912.63 |
| Federal Programs | 69,175.60 | 81,555.21 | (12,379.61) |
| Special Education | 145,601.00 | 68,215.24 | 77,385.76 |
| Other Programs and Services | - | 9,115.93 | (9,115.93) |
| District Wide Services | 39,770.00 | 91,337.40 | (51,567.40) |
| Administration | 211,028.69 | 254,314.59 | (43,285.90) |
| Operations and Maintenance | 359,672.79 | 297,449.08 | 62,223.71 |
| Food Services | 97,319.12 | 60,217.77 | 37,101.35 |
| Transportation | 423,915.00 | 205,287.67 | 218,627.33 |
| Student Activities | 125,876.30 | 131,695.04 | (5,818.74) |
| Capital Outlay | - | 130,551.32 | (130,551.32) |
| Total Expenditures | 3,160,583.75 | 3,016,051.87 | 144,531.88 |
| Excess of Revenues Over (Under) Expenditures | 175,696.88 | 500,412.35 | 324,715.47 |
| <u>Other Financing Sources (Uses):</u> | | | |
| Transfers Out | - | (325,000.00) | (325,000.00) |
| Net Change in Fund Balances | 175,696.88 | 175,412.35 | (284.53) |
| Fund Balance - July 1 | 359,644.79 | 359,644.79 | - |
| Fund Balance - June 30 | \$ 535,341.67 | \$ 535,057.14 | \$ (284.53) |

See accompanying notes to required supplementary information.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

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

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|---------------------------------|----------------------|------------------------------------|
| <u>Revenues:</u> | | | |
| Local Sources | \$ 948,206.04 | \$ 1,018,207.65 | \$ 70,001.61 |
| State Sources | 1,697,710.34 | 1,840,264.68 | 142,554.34 |
| Federal Sources | 39,347.00 | 39,230.00 | (117.00) |
| Total Revenues | 2,685,263.38 | 2,897,702.33 | 212,438.95 |
| <u>Expenditures:</u> | | | |
| Current: | | | |
| Regular Programs | 1,327,921.11 | 1,442,167.98 | (114,246.87) |
| Federal Programs | 58,969.96 | 26,291.41 | 32,678.55 |
| Special Education | 114,500.00 | 74,951.73 | 39,548.27 |
| District Wide Services | 33,700.00 | 100,641.97 | (66,941.97) |
| Administration | 180,442.35 | 202,695.62 | (22,253.27) |
| Operations and Maintenance | 309,376.39 | 308,184.89 | 1,191.50 |
| Food Services | 88,471.93 | 64,152.93 | 24,319.00 |
| Transportation | 378,037.50 | 170,225.02 | 207,812.48 |
| Student Activities | 113,793.00 | 94,857.39 | 18,935.61 |
| Capital Outlay | - | 203,472.12 | (203,472.12) |
| Total Expenditures | 2,605,212.24 | 2,687,641.06 | (82,428.82) |
| Excess of Revenues Over (Under) Expenditures | 80,051.14 | 210,061.27 | 130,010.13 |
| <u>Other Financing Sources (Uses):</u> | | | |
| Transfers Out | - | (630,000.00) | (630,000.00) |
| Net Change in Fund Balances | 80,051.14 | (419,938.73) | (499,989.87) |
| Fund Balance - July 1 | 779,583.52 | 779,583.52 | - |
| Fund Balance - June 30 | \$ 859,634.66 | \$ 359,644.79 | \$ (499,989.87) |

See accompanying notes to required supplementary information.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

| | As of and for the Year Ended June 30, 2015 |
|--|--|
| ND Teachers' Fund for Retirement: | |
| 1. District's proportion of the net pension liability (asset) | 0.167187% |
| 2. District's proportionate share of the net pension liability (asset) | \$1,751,823.00 |
| 3. District's covered-employee payroll | \$969,771.00 |
| 4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 180.64% |
| 5. Plan fiduciary net position as a percentage of the total pension liability | 66.60% |

* Complete data for this schedule is not available prior to 2015. The data reported is measured as of July 1, 2014.

See accompanying notes to required supplementary information.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*

| | As of and for the Year Ended June 30, 2015 |
|---|--|
| <u>ND Teachers' Fund for Retirement:</u> | |
| Statutorily required contribution | \$140,398.07 |
| Contributions in relation to the statutorily required contribution | (\$140,398.07) |
| Contribution deficiency (excess) | \$0.00 |
| District's covered-employee payroll | \$1,101,161.33 |
| Contributions as a percentage of covered-employee payroll | 12.75% |

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

See accompanying notes to required supplementary information.

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2015 and 2014

NOTE 1: BUDGETARY COMPARISON SCHEDULES-GENERAL FUND

Basis of Accounting:

Based upon available financial information and requests by the school board, the business manager prepares the school district budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. The school district does not prepare a budget for the special revenue fund, debt service, or capital projects fund, as state law does not require a budget for those funds. Since a budget was not prepared, the statement comparing budget and actual results could not be prepared. All annual appropriations lapse at year-end.

Relevant Dates:

School district taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county auditor by August 25. The governing body of the school district may amend its tax levy and budget of the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

NOTE 2: EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures exceeded budget in the general fund as follows:

| | |
|--------------------------|---------------------|
| Year Ended June 30, 2014 | <u>\$ 82,428.82</u> |
|--------------------------|---------------------|

No remedial action is anticipated or required by the school district regarding these excess expenditures.

NOTE 3: PENSION PLANS

Due to the adoption of GASB No. 68 beginning with the current fiscal year, the school district does not have any information about factors that significantly affect trends in the amounts reported in the schedule of the district's share of net pension liability or the schedule of the district's contributions. Additionally, no information prior to the June 30, 2015 school year is available to be reported in these schedules.

LERVIK & JOHNSON

Certified Public Accountants

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

School Board
Grenora Public School District No. 99
Grenora, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Grenora Public School District No. 99, Grenora, North Dakota, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Grenora Public School District No. 99, Grenora, North Dakota's basic financial statements and have issued our report thereon dated January 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grenora Public School District No. 99, Grenora, 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 Grenora Public School District No. 99, Grenora, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of Grenora Public School District No. 99, Grenora, North Dakota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, items 15-1 through 15-4, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grenora Public School District No. 99, Grenora, North Dakota's financial statements are free of 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*.

Grenora Public School District No. 99, Grenora, North Dakota's Response to Findings

Grenora Public School District No. 99, Grenora, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Grenora Public School District No. 99, Grenora, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

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.



LERVIK & JOHNSON
Certified Public Accountants
Bottineau, North Dakota

January 21, 2016

GRENORA PUBLIC SCHOOL DISTRICT NO. 99
Grenora, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Years Ended June 30, 2015 and 2014

FINDINGS-FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

15-1 Segregation of Duties

Condition:

The Grenora Public School District, Grenora, North Dakota, has one person responsible for most accounting functions.

Criteria:

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the school district.

Effect:

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the school district's financial condition.

Recommendation:

Due to the size of the school district, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Client Response:

No response is considered necessary.

15-2 Preparation of Financial Statements

Condition:

The school district does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to assist in drafting the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Criteria:

A good system of internal accounting control contemplates a system designed to prepare financial statements in accordance with generally accepted accounting principles.

Effect:

Inadequate controls over financial reporting of the school district result in the more than remote likelihood that the school district would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation:

While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the school district and changes in reporting requirements.

Management's Response:

Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Lervik and Johnson P.C., a public accounting firm, to assist in the preparation of the financial statements as part of their annual audit of Grenora Public School District, Grenora, North Dakota.

15-3 Commingling of Funds

Condition:

The school district has more than one governmental fund. It was noted during our audit that on several occasions income belonging to one governmental fund was deposited to another fund's bank account. Additionally, the deposits were sometimes recorded to the incorrect governmental fund's general ledger as well.

Criteria:

A good system of internal accounting control contemplates a system designed to ensure that amounts are recorded within the correct fund in the general ledger, and physically deposited into the correct fund's cash account at the bank.

Effect:

Inadequate controls over cash deposits allowed deposits to be placed and recorded in the wrong governmental fund's cash account.

Recommendation:

The Board needs to take a more active role in reviewing and approving the school district's monthly financial statements.

Management's Response:

We are aware of this issue and plan to hire an additional employee to assist the business manager in order to afford more time for her to make and review deposits and bookkeeping entries on a timely basis.

15-4 Cash Reconciliations

Condition:

The school district's cash accounts were not reconciled to the bank statements regularly during the years ended June 30, 2015 and 2014.

Criteria:

A good system of internal accounting control contemplates a system designed to reconcile cash accounts in order to ensure proper recording of financial transactions.

Effect:

Discrepancies in the school district's financial ledger accounts could remain undetected by management of the school district. Examples of such discrepancies include lack of recording actual activity in the general ledger, recording activity incorrectly, and recording activity within the wrong fund.

Cause:

All cash accounts were not reconciled to the bank statement on a monthly basis.

Recommendation:

We recommend that the school district ensures that all cash accounts are reconciled to the corresponding bank statement on a monthly basis.

Management's Response:

We are aware of this issue and plan to hire an additional employee to assist the business manager in order to ensure that cash accounts are reconciled on a monthly basis.