

**JAMESTOWN PUBLIC SCHOOL  
DISTRICT NO. 1  
Jamestown, North Dakota**

***REPORT ON FINANCIAL STATEMENTS  
(with supplementary information)  
Year Ended June 30, 2016***

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**CONTENTS**  
**Year Ended June 30, 2016**

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 10
Basic Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Notes to Financial Statements	21 - 45
Required Supplementary Information	
Budgetary Comparison Schedules	
Budget and Actual (with Variances) - General Fund	46
Note to Required Supplementary Information – General Fund	47
Schedule of School District's Share of Net Pension Liability - NDPERS	48
Schedule of School District's Contributions – NDPERS	48

Schedule of School District's Share of Net Pension Liability - NDTFFR	49
Schedule of School District's Contributions – NDTFFR	49
Other Supplementary Information	
School District Officials	50
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51 - 52
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	53 - 54
Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56 - 57
Note to Schedule of Expenditures of Federal Awards	58

# Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA  
Duane R. Dunn, CPA  
Robert A. Platz, CPA

## INDEPENDENT AUDITORS' REPORT

School Board  
**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
Jamestown, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, Jamestown, North Dakota as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the contents.

### Management's Responsibility for the Financial Statements

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

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

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

- 1 -

## INDEPENDENT AUDITORS' REPORT – continued

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, Jamestown, North Dakota, as of June 30, 2016 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 46 through 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

**INDEPENDENT AUDITORS' REPORT – continued**

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** internal control over financial reporting and compliance.



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
January 13, 2017

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2016**

The Management's Discussion and Analysis (MD&A) of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's (known as the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2015 –2016 are as follows:

- Net position of Jamestown Public schools decreased \$134,614 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$7,257,721.
- Total government-wide revenues from all sources were \$29,818,400.
- Total government-wide expenditures were \$29,953,014.
- The District's general fund had \$27,564,503 in total revenues and \$27,730,969 in total expenditures. Overall, the general fund balance decreased by \$452,390 for the year ended June 30, 2016.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

**REPORTING ON THE DISTRICT AS A WHOLE**

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

These statements are summaries of all funds used by the JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2016?"

The Statement of Net Position presents information on all the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presenting amounts using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, earned but unused sick leave and vacation leave).

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**

**Year Ended June 30, 2016**

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of buildings and grounds, student transportation and co-curricular activities.

The government-wide financial statements include not only the District (*known as the primary government*), but also one legally separate entity for which the District is financially accountable. The *component unit* is the James Valley Career & Technology Center. Financial information for this component unit is reported separately from the financial information presented for the primary government. Separately issued financial statements are available from the administrative offices of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**.

**REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. The general, debt service and capital project funds are all considered major funds using the criteria established by GASB Statement No. 34.

The District's other funds, which are used to account for the school lunch and special reserve transactions, are summarized under the heading "Other Governmental Funds."

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table I provides a summary of the District's net position as of June 30, 2016 and 2015.

	Table I NET POSITION June 30,	
	2016	2015
<b>ASSETS</b>		
Current assets	\$ 9,697,037	\$ 14,647,002
Capital assets (net of depreciation)	27,320,278	27,750,179
Deferred outflows of resources	5,484,782	2,123,893
Total Assets and Deferred Outflows of Resources	<u>42,502,097</u>	<u>44,521,074</u>
<b>LIABILITIES</b>		
Current liabilities	2,066,189	4,089,921
Long-term debt	31,501,376	30,054,840
Total Liabilities	<u>33,567,565</u>	<u>34,144,761</u>



**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>
Deferred Inflows of Resources	1,676,811	2,983,978
<b>NET POSITION</b>		
Net investment in capital assets	25,243,855	20,357,829
Restricted	1,982,542	7,056,478
Unrestricted	<u>(19,968,676)</u>	<u>(20,021,972)</u>
Total Net Position	<u>7,257,721</u>	<u>7,392,335</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 42,502,097</u>	 <u>\$ 44,521,074</u>

As indicated in the financial highlights above, the District's net position decreased by \$134,614 as a result of operations for the year ended June 30, 2016. The District recorded a decrease of \$25,947,666 due to the restatement for years prior to the 2014 - 2015 fiscal year due to the implementation of GASB 68 and increased by \$1,503,571 as a result of operations for the year ended June 30, 2015. Changes in net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$7,257,721 is segregated into three separate categories. Net investment in capital assets (net of related debt) represents the largest portion of the District's total net position. It should be noted that these assets are not available for future spending. The balance consists of restricted net position and unrestricted net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent.

Table II shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

Table II  
**CHANGES IN NET POSITION**  
 Years Ended June 30

	<u>2016</u>		<u>2015</u>	
<b>REVENUES</b>				
Program revenues				
Charges for services	\$ 1,324,013	4.44%	\$ 1,341,830	4.42%
Operating grants	3,180,025	10.67	3,036,990	10.00
General revenues				
Property taxes	5,432,471	18.22	5,959,769	19.62
Other taxes	131,625	.44	1,096,313	3.60
State aid – unrestricted	19,191,723	64.36	18,416,492	60.62
Other	558,543	1.87	529,271	1.74
Total Revenues	<u>29,818,400</u>	<u>100.00</u>	<u>30,380,665</u>	<u>100.00</u>
<b>EXPENSES</b>				
Regular instruction	14,877,140	49.67	14,294,329	49.50
Federal programs	892,108	2.98	943,843	3.27
Special education	4,641,929	15.50	4,555,620	15.78
Vocational education	457,799	1.53	438,224	1.52
Instructional support services	1,047,997	3.50	985,377	3.41
Administrative services	616,130	2.06	591,736	2.05

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

	2016		2015	
Operation and maintenance of plant	2,241,313	7.48	2,160,994	7.48
Student transportation	474,018	1.58	499,763	1.73
Extracurricular activities	875,983	2.92	895,507	3.10
Other support services	515,046	1.72	481,991	1.67
Community services	36,994	.12	36,868	.13
Tuition and assessments	1,703,490	5.69	1,462,408	5.06
Food service	1,452,498	4.85	1,328,811	4.60
Debt service	120,569	.40	201,623	.70
<b>Total Expenses</b>	<u>29,953,014</u>	<u>100.00</u>	<u>28,877,094</u>	<u>100.00</u>
Change in Net Position	(134,614)		1,503,571	
Prior period adjustment			(25,947,666)	
<b>BEGINNING NET POSITION</b>	<u>7,392,335</u>		<u>31,836,430</u>	
<b>ENDING NET POSITION</b>	<u>\$ 7,257,721</u>		<u>\$ 7,392,335</u>	

Property taxes constituted 18%, unrestricted state aid 64%, operating grants and contributions 11% and charges for services made up 4% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2016.

Regular instruction constituted 50%, special education 16% and vocational education 2% of total expenditures for governmental activities during fiscal year 2015-2016.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenues and other unrestricted revenues.

Table III  
**TOTAL AND NET COST OF SERVICES**

	Total Costs Year Ended June 30, 2016	Net Costs Year Ended June 30, 2016	Total Costs Year Ended June 30, 2015	Net Costs Year Ended June 30, 2015
Regular instruction	\$ 14,877,140	\$ 14,653,755	\$ 14,294,329	\$ 14,072,271
Federal programs	892,108	(20,491)	943,843	10,538
Special education	4,641,929	3,152,439	4,555,620	3,228,093
Vocational education	457,799	371,042	438,224	310,517
Instructional support services	1,047,997	1,047,997	985,377	985,377
Administrative services	616,130	616,130	591,736	591,736
Operation and maintenance of plant	2,241,313	2,241,313	2,160,994	2,160,994
Student transportation	474,018	114,539	499,763	76,839
Extracurricular activities	875,983	875,983	895,507	895,507

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**

**Year Ended June 30, 2016**

	Total Costs Year Ended June 30, 2016	Net Costs Year Ended June 30, 2016	Total Costs Year Ended June 30, 2015	Net Costs Year Ended June 30, 2015
Other support services	515,046	515,046	481,991	481,991
Community services	36,994	36,994	36,868	36,868
Tuition and assessment	1,703,490	1,703,490	1,462,408	1,462,408
Food service	1,452,498	20,170	1,328,811	(16,488)
Debt service	120,569	120,569	201,623	201,623
<b>Total Expenses</b>	<b>29,953,014</b>	<b>\$ 25,448,976</b>	<b>\$ 28,877,094</b>	<b>\$24,498,274</b>

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's resources available for spending as of the end of the fiscal year. Those funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$29,840,662 and expenditures of \$35,376,330 for the year ended June 30, 2016. The District's governmental funds had total revenues of \$30,357,475 and expenditures of \$30,711,509 for the year ended June 30, 2015. As of June 30, 2016 the unassigned fund balance of the District's general funds was \$3,517,438. As of June 30, 2015 the unassigned fund balance of the District's general fund was \$3,969,828.

**GENERAL FUND BUDGET HIGHLIGHTS**

The District changed its revenue budget during the year by \$112,575 and expenditure budget by \$134,492. The revenue change was an increase to local sources by \$50,000, to state sources by \$13,552 and an increase in federal program revenue by \$49,023. The expenditure change was an increase in federal program expenditures by \$49,023, an increase in instructional media services by \$115,342 and a decrease in regular instruction by \$29,873. General fund total revenues for 2015-2016 were \$27,564,503 in comparison to total expenditures of \$27,730,969. General fund total revenues for 2014-2015 were \$26,171,540 in comparison to total expenditures of \$26,217,397. The ending fund balance decreased during the 2015 - 2016 fiscal year by \$452,390 to a balance of \$3,517,438 on June 30, 2016. The ending fund balance decreased during the 2014 - 2015 fiscal year by \$456,525 to a balance of \$3,969,828 on June 30, 2015. The ending balance is approximately 13% of total expenditures for 2015-2016. The ending balance is approximately 15% of total expenditures for 2014-2015. For 2016, revenues increased by \$1,392,963 which is a 5% increase from the previous year and expenditures increased \$1,513,572 that is a 6% increase from the previous year. For 2015, revenues increased by \$1,580,188 which is a 6% increase from the previous year and expenditures increased \$1,222,006 that is a 5% increase from the previous year.

**CAPITAL ASSETS**

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** had \$27,320,278 invested in capital assets as of June 30, 2016. Table IV shows the balances as of June 30, 2016 and 2015.

Table IV

**CAPITAL ASSETS (net of accumulated depreciation)**

	June 30,	
	2016	2015
Land and assets not being depreciated	\$ 1,367,631	\$ 1,293,133
Buildings and improvements	23,402,022	24,117,156
Equipment and vehicles	2,550,625	2,339,890
<b>Total Capital Assets (net of depreciation)</b>	<b>\$ 27,320,278</b>	<b>\$ 27,750,179</b>

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

This total represents a decrease of \$429,901 in net capital assets from July 1, 2015. For a detailed breakdown of additions and deletions to capital assets, readers are referred to note 6 to the audited financial statements that follow this analysis. The District levied 10 mills for the building fund in 2015-2016.

**DEBT ADMINISTRATION**

At June 30, 2016, the District had \$31,812,738 of outstanding long-term debt. Of this amount, \$313,445 is for compensated absences and retirement annuities, \$29,422,870 is for the net pension obligation and \$2,076,423 is for bonds and lease/purchases.

Table V  
 Long-Term Debt at June 30

	<u>2016</u>	<u>2015</u>
State school construction bonds, 2002	\$	\$ 932,112
School building refunding bonds, series 2010		4,081,056
Limited tax school building bonds, series 2011	1,357,791	1,571,555
Limited tax school building bonds, series 2012	673,823	721,456
Lease/purchase, copiers	44,809	86,171
Compensated absences	73,084	37,213
Annuity payable	240,361	233,825
Net pension obligation	29,422,870	24,792,031
Total	<u>\$ 31,812,738</u>	<u>\$ 32,455,419</u>

For more detailed information on the District's debt, please refer to note 8 of the basic financial statements.

**FOR THE FUTURE**

A consistent projected enrollment will provide financial stability as we move forward. The District has completed a facility audit and 10 year capital projects plan to guide facility planning. Along with the audit and capital projects plan, the District will engage stakeholders in discussions on a long-term solutions for facility needs and educational adequacy through a bond referendum.

**COMPONENT UNIT**

Only summary information regarding a component unit appears in the District's financial statements. The component unit is the James Valley Career & Technology Center. The financial statement information is presented in a separate column in the District-wide Statement of Net Position and in the Statement of Activities. Additional information can be obtained from the separately issued financial statements available from the Business Manager of Jamestown Public Schools.

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1'S** finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Jamestown Public Schools. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact the Business Manager of Jamestown Public Schools, 207 Second Avenue SE, Jamestown, ND 58401; phone 701-252-1950, fax 701-251-2011.

# JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

## Jamestown, North Dakota STATEMENT OF NET POSITION June 30, 2016

	Governmental Activities	Component Units
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,902,133	\$ 1,300
Investments	240,361	
Taxes receivable	235,359	
Due from other governmental agencies	1,293,013	248,491
Other receivables	5,287	
Inventories	20,884	
Capital assets		
Land and improvements not being depreciated	1,367,631	45,598
Buildings and improvements	37,364,559	1,607,700
Equipment and vehicles	7,194,203	318,466
Less: accumulated depreciation	(18,606,115)	(1,437,283)
Total Capital Assets	27,320,278	534,481
Total Assets	37,017,315	784,272
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	5,484,782	
Total Deferred Outflows of Resources	5,484,782	
 Total Assets and Deferred Outflows of Resources	 \$ 42,502,097	 \$ 784,272
<b>LIABILITIES</b>		
Book deficit	\$	\$ 79,422
Accounts payable and accrued expenses	1,744,219	54,363
Long-term liabilities		
Due within one year		
Interest payable	10,608	
Bonds, capital leases	311,362	
Due in more than one year		
Bonds, capital leases	1,765,061	
Compensated absences and annuities	313,445	5,141
Net pension obligation	29,422,870	
Total Liabilities	33,567,565	138,926
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	1,676,811	
Total Deferred Inflows of Resources	1,676,811	
<b>NET POSITION</b>		
Net investment in capital assets	25,243,855	534,481
Restricted for:		
Capital projects	1,157,018	
Debt service	428,315	
Operations	397,209	
Unrestricted	(19,968,676)	110,865
Total Net Position	7,257,721	645,346
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 42,502,097	 \$ 784,272

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

# JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating		Component Units
			Grants and Contributions	Governmental Activities	
Primary government					
Instruction					
Regular	\$ 14,877,140	\$ 223,385	\$ 912,599	\$ (14,653,755)	\$
Federal	892,108		1,489,490	20,491	
Special education	4,641,929		86,757	(3,152,439)	
Vocational education	457,799			(371,042)	
Support services					
Instructional support services	1,047,997			(1,047,997)	
Administration services	616,130			(616,130)	
Operation and maintenance of plant	2,241,313			(2,241,313)	
Student transportation	474,018	359,479		(114,539)	
Extracurricular activities	875,983			(875,983)	
Other support services	515,046			(515,046)	
Community services	36,994			(36,994)	
Tuition and assessments	1,703,490	741,149	691,179	(1,703,490)	
Food service	1,452,498			(20,170)	
Interest on long-term debt	120,569			(120,569)	
Total Governmental Activities	29,953,014	1,324,013	3,180,025	(25,448,976)	
Component Units					
James Valley	1,537,103	610,914	841,730	(84,459)	
Total Component Units	\$ 1,537,103	\$ 610,914	\$ 841,730	(84,459)	
General revenues:					
Taxes:					
Property taxes, levied for general purposes				3,535,820	
Property taxes, levied for specific purposes				1,896,651	
Other taxes				131,625	
State aid not restricted to specific programs				19,191,723	
Unrestricted investment earnings				12,616	14
Miscellaneous				545,927	62,742
Total general revenues, special items, and transfers				25,314,362	62,756
Change in net position				(134,614)	(21,703)
Net position:					
Beginning of year				7,392,335	667,049
Net position - ending				\$ 7,257,721	\$ 645,346

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

Jamestown, North Dakota  
BALANCE SHEET  
Governmental Funds  
June 30, 2016

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED</b>					
<b>OUTFLOWS OF RESOURCES</b>					
Cash and cash equivalents	\$ 3,627,348	\$ 419,775	\$ 1,120,312	\$ 537,236	\$ 5,704,671
Investments	240,361				240,361
Taxes receivable, net	195,401	8,540	31,418	9,320	235,359
Receivable from other governments	1,283,693		5,288		1,293,013
Other receivables					5,288
Inventories				20,884	20,884
Total Assets and Deferred Outflows of Resources	<u>\$ 5,346,803</u>	<u>\$ 428,315</u>	<u>\$ 1,157,018</u>	<u>\$ 567,440</u>	<u>\$ 7,499,576</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUNDS BALANCES</b>					
Liabilities:					
Accounts payable	\$ 17,893				\$ 17,893
Accrued contracts and benefits	1,433,787			886	1,434,673
Early retirement annuity	200,000				200,000
Total Liabilities	<u>1,651,680</u>			<u>886</u>	<u>1,652,566</u>
Deferred inflows of resources	177,685				
Unavailable revenue		7,446	28,561		213,692
Fund balances:					
Nonspendable				20,884	20,884
Restricted		420,869	1,128,457	397,209	1,946,535
Assigned				148,461	148,461
Unassigned	3,517,438				3,517,438
Total Fund Balances	<u>3,517,438</u>	<u>420,869</u>	<u>1,128,457</u>	<u>566,554</u>	<u>5,633,318</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,346,803</u>	<u>\$ 428,315</u>	<u>\$ 1,157,018</u>	<u>\$ 567,440</u>	<u>\$ 7,499,576</u>

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



**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

Total fund balance, governmental funds	\$	5,633,318
--	----	-----------

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 and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		27,320,278
---	--	------------

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		213,692
--	--	---------

A net pension obligation should be reported as a liability in the government wide statement of net position. Conversely, a net pension obligation is not considered to represent a financial liability; therefore, it is not properly reported in a governmental fund		(29,422,870)
---	--	--------------

A deferred outflow of resources related to pensions is not considered an asset for the governmental fund financials, but are reported in the governmental activities of the Statement of Net Position		5,484,782
---	--	-----------

A deferred inflow of resources related to pensions is not considered a liability for the governmental fund financials, but are reported in the governmental activities of the Statement of Net Position		(1,676,811)
---	--	-------------

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		2,105,808
--	--	-----------

Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(2,400,476)
--	--	-------------

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>7,257,721</u>
--	----	------------------

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

Jamestown, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2016

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 5,452,813	\$ 94,590	\$ 744,883	\$ 764,704	\$ 7,056,990
County sources	104,566				104,566
State sources	20,363,617			17,238	20,380,855
Federal sources	1,613,789			650,386	2,264,175
Investment earnings	14,794	2,665	1,196	497	19,152
Miscellaneous	14,924				14,924
Total Revenues	<u>27,564,503</u>	<u>97,255</u>	<u>746,079</u>	<u>1,432,825</u>	<u>29,840,662</u>
<b>EXPENDITURES</b>					
Instruction					
Regular	14,125,558				14,125,558
Federal	912,599				912,599
Special education	4,722,085				4,722,085
Vocational education	469,618				469,618
Support Services					
Instructional support services	1,521,707				1,521,707
Administration	606,621				606,621
Operation and maintenance of plant	1,832,776		614,729		2,447,505
Student transportation	474,018				474,018
Extracurricular activities	936,768				936,768
Other support services	388,735				388,735
Community services	36,994				36,994
Tuition and assessment	1,703,490				1,703,490
Food Service				1,466,228	1,466,228
Debt Service:					
Principal		5,228,474			5,228,474
Interest and other charges		227,827			227,827
Capital Outlay			108,103		108,103
Total Expenditures	<u>27,730,969</u>	<u>5,456,301</u>	<u>722,832</u>	<u>1,466,228</u>	<u>35,376,330</u>
Excess (deficiency) of revenues over expenditures	(166,466)	(5,359,046)	23,247	(33,403)	(5,535,668)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,000				370,717
Transfers out	(295,924)	360,717	(64,793)	(10,000)	(370,717)
Total other financing sources and uses	(285,924)	360,717	(64,793)	(10,000)	
Net change in fund balances	(452,390)	(4,998,329)	(41,546)	(43,403)	(5,535,668)
Fund balances - beginning	3,969,828	5,419,198	1,170,003	609,957	11,168,986
Fund balances - ending	<u>\$ 3,517,438</u>	<u>\$ 420,869</u>	<u>\$ 1,128,457</u>	<u>\$ 566,554</u>	<u>\$ 5,633,318</u>

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**ACTIVITIES**  
**Year Ended June 30, 2016**

Net change in fund balances - total governmental funds:	\$	(5,535,668)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount by which depreciation \$1,301,057 exceeded capital outlay \$871,156 in the current period.		(429,901)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		(22,223)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The liability is accrued in the statement of net assets. This is the amount by which repayments exceeded proceeds.		5,228,474
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.		(22,602)
Amortization of bond premium		87,452
Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension expense		37,217
Internal service funds are used by management to charge the costs of certain activities, such as self insured health insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		522,637
Change in net position of governmental activities	\$	<u>(134,614)</u>

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota  
STATEMENT OF NET POSITION  
Proprietary Funds  
June 30, 2016**

	<u>Internal Service Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,197,461
Total assets	<u>2,197,461</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accrued health benefits	91,653
Total liabilities	<u>91,653</u>
<b>NET POSITION</b>	
Unrestricted	2,105,809
Total net position	<u>\$ 2,105,809</u>

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET**  
**POSITION**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Internal Service Funds</b>
<b>REVENUES</b>	
Charges for services	\$ 2,875,000
Miscellaneous	789,968
Total operating revenues	3,664,968
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	3,144,469
Total Operating Expenses	3,144,469
Operating Income	520,499
<b>NON-OPERATING REVENUES</b>	
Interest and investment revenue	2,138
Total non-operating revenue	2,138
Change in net position	522,637
Total net position - beginning	1,583,172
Total net position - ending	\$ 2,105,809

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from assessments made to other funds and other income	\$ 3,664,968
Payments made for health insurance claims and stop loss premiums	(3,145,289)
Net Cash Provided by Operating Activities	519,679
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	2,138
Net increase in cash and cash equivalents	521,817
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of the year	1,675,644
End of the year	\$ 2,197,461
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 520,499
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities	
Accrued health benefits	(820)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 519,679</b>

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

**STATEMENT OF FIDUCIARY NET POSITION**

**Fiduciary Funds**

**June 30, 2016**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 331,125
Total Assets	<u>331,125</u>
<b>LIABILITIES</b>	
Due to student organizations	331,125
Total Liabilities	<u>\$ 331,125</u>

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**1. Summary of Significant Accounting Policies**

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Description of the Reporting Entity**

The JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1 is organized under the laws of the State of North Dakota. It provides a system of free public schools for all children of legal age residing within the district. It is governed by an elected nine-member school board and operates grades K through 12.

**B. Reporting Entity**

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

The James Valley Career and Technology Center is a legally separate entity organized to provide vocational courses to participating school districts. It is governed by JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's elected board with the assistance of an appointed advisory board.

The component unit condensed financial information reflects this discretely presented unit. Complete financial statements for the individual component unit may be obtained at the administrative offices of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1.

Governmental accounting standards require reasonable separation between the primary government (including its blended component units) and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note references or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable to the District and to its component units.

**Condensed Component Unit Financial Statements**

	James Valley Career & Technology Center
ASSETS	
Current assets	\$ 249,791
Capital assets	534,481
Total Assets	<u>784,272</u>



**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**B. Reporting Entity – continued**

LIABILITIES	
Current liabilities	133,785
Long-term liabilities	5,141
Total Liabilities	<u>138,926</u>
NET POSITION	
Net investment in capital assets	534,481
Unrestricted	110,865
Total Net Position	<u>\$ 645,346</u>
Expenses	
Instructional	\$ 875,451
Support	661,652
Program revenues	
Charges for services	610,914
Operating grants and contributions	841,730
Net Program (Expense)	<u>(84,459)</u>
General revenues	
Investment earnings	14
Miscellaneous	62,742
Change in Net Position	<u>(21,703)</u>
Net Position – Beginning	667,049
Net Position - Ending	<u>\$ 645,346</u>

**C. Basis of Presentation**

***District-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange revenues. The District does not report any business-type activities.

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

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**C. Basis of Presentation – continued**

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
3. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

***Governmental Funds***

Governmental funds are utilized to account for most of the District's governmental functions. The District's major governmental funds are as follows:

***General Fund***

The General Fund is the operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

***Debt Service Fund***

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

***Capital Projects Fund***

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.).

***Proprietary Funds***

***Internal Service Funds***

Internal Service Funds provides services to other funds in the District on a cost reimbursement basis. Because the District's internal service fund primarily services governmental functions, it is included within the governmental activities of the government-wide financial statements.

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**C. Basis of Presentation – continued**

*Fiduciary Funds* (not included in district-wide statements)

*Agency Funds*

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, and /or other governmental units.

*Major Funds*

The District reports the following major governmental funds:

- General Fund
- Debt Service Fund
- Capital Projects Fund

*Non-Major Funds*

The District reports the following non-major funds:

- Special Revenue Funds
- Special Reserve Fund
- School Lunch Fund

*Proprietary Funds*

The District reports the following proprietary funds:

- Internal Service Funds
- Health Insurance Fund

*Fiduciary Funds*

The District reports the following fiduciary funds:

- Agency Funds
- Student Activity Fund

**D. Basis of Accounting**

The government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The Districts internal service fund also used the accrual basis of accounting.

Governmental funds and agency funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest not matured on long-term debt, claims, judgments, compensated absences and pension

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**D. Basis of Accounting – continued**

expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property tax revenues in the governmental funds are recorded when it becomes available.

Property taxes are levied and certified no later than October 10 and property taxes attach as an enforceable lien on property as of January 1 and are due and payable at that time. The first installment of taxes becomes delinquent March 1 and the second installment on October 15. The taxes are collected by the County Treasurer and remitted to the District on a monthly basis.

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided by other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the district has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to other funds for health insurance premiums. Operating expenses for the internal service fund include the cost of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**E. Measurement Focus**

On the government-wide Statement of Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**E. Measurement Focus - continued**

retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

Liabilities for claims, judgments, compensated absences and pension contributions that will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

**F. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**G. Deposits**

The District maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentality's, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, or instrumentality's, or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body, and bonds issued by any other state of the United States or such other securities approved by the banking board.

Although the James Valley Career & Technology Center is operated as a separate entity from **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, the agreements with the financial institutions stipulate that both entities will be treated as one entity for purposes of Federal Deposit Insurance. Therefore, although a separate audit report has been prepared for the James Valley Career & Technology Center, the funds on deposit for this entity is included with the District funds in the summary of protection in this report.

*Interest rate risk.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* North Dakota state statute authorizes school districts to invest their surplus funds in:

1. 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.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above.

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**G. Deposits - continued**

3. Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or by the state.
4. Obligations of the state.

The District has no cash and cash equivalents other than demand and time deposits.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the District's deposits were not fully insured or collateralized with securities held by the financial institutions in the District's name. (See note 2)

**H. Cash Flow Information**

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**I. Inventories**

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting and consist of food, commodities and other supplies.

**J. Capital Assets**

***District-Wide Statements***

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated capital assets are recorded at their fair market value at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Building and improvements	50 years
Equipment and vehicles	5 - 20 years

***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

# JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2016

## K. Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of bonds, lease/purchase agreements and compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources. The payment of principal and interest are reported as expenditures.

## L. Compensated Absences

The District allows employees to accumulated unused sick leave up to 130 days. Classified staff that are considered full time, i.e. work 12 months, earn approximately 10 vacation days per year. In addition, certified administrative staff who work 12 months, earn 15 vacation days per year. They have up to the end of the next school year to use it. Upon termination, no days of accumulated sick leave are paid to the employees. The amount to be paid from current resources is not significant.

## M. Equity Classifications

### *Government-Wide Statements*

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, or other borrowings that are attributable to the acquisitions, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
2. Restricted net position – consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, b) law through constitutional provisions or enabling legislation. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

### *Fund Balances*

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

# JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2016

## M. Equity Classifications - continued

*Nonspendable* – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the School Board.

*Assigned* – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

*Unassigned* – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

## N. 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.

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

## 2. Cash and Cash Equivalents

The following summary presents the amount of the District's deposits which are fully insured or collateralized with securities held by the District or its agent in the District's name (category 1), those deposits which are collateralized with securities held by the pledging financial institutions trust department of agent in the District's name (category 2), and those deposits which are not collateralized (category 3) at June 30, 2016.



**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**2. Cash and Cash Equivalents - continued**

Cash and cash equivalents by balance sheet accounts	Category 1	Category 2	Category 3	Book Balance	Bank Balance
Governmental activities					
Cash and cash equivalents	\$ 406,567	\$7,750,888	\$ 516,643	\$ 7,902,133	\$ 8,674,098
Agency funds					
Cash and cash equivalents	242,720			331,125	242,720
Component units					
Cash and cash equivalents				1,300	
Book deficit	(49,578)			(79,422)	(49,578)
Component units agency funds					
Cash and cash equivalents	124,503			124,503	124,503
<b>Total</b>	<u>\$ 724,212</u>	<u>\$7,750,888</u>	<u>\$ 516,643</u>	<u>\$ 8,279,639</u>	<u>\$ 8,991,743</u>

Cash and cash equivalents by entity	Book Balance	Bank Balance
Jamestown Public School District No. 1		
Cash and cash equivalents	\$ 8,233,258	\$ 8,917,873
Less cash on hand		(1,055)
Total Jamestown Public School	<u>8,233,258</u>	<u>8,916,818</u>
James Valley Career and Technology Center		
Cash and cash equivalents	46,381	75,225
Less cash on hand		(300)
Total James Valley	<u>46,381</u>	<u>74,925</u>
<b>Total Under Custody of the District</b>	<u>\$ 8,279,639</u>	<u>\$ 8,991,743</u>

**3. Investments**

Investments consist of a deferred annuity and a whole life insurance plan purchased at a cost of \$114,582. The investment is payable to a former employee.

**4. Due From Other Governments**

Due from other governments consists of the following as of June 30, 2016:

<b>Primary Government</b>	
<b>General Fund</b>	
Local funds	
E-rate	\$ 157,515
State funds	
Vocational education	7,866
Day treatment grant	21,875
Federal funds	
Title I	400,895
Title II A	160,103
Title VI	13,869
IDEA	521,570
<b>Total General fund</b>	<u>1,283,693</u>

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**4. Due From Other Governments**

<b>Other Governmental Funds</b>	
School Lunch	
Summer food service	9,320
	<hr/>
Total Jamestown Public School	\$ 1,293,013
	<hr/>
<b>Component Units</b>	
James Valley Career & Technology Center	
State funds	
Vocational aid	\$ 221,750
Adult basic education	20,851
Federal funds	
Adult basic education	5,890
	<hr/>
Total James Valley Career & Technology Center	248,491
	<hr/>
Total Reporting Entity	\$ 1,541,504
	<hr/>

**5. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2016, consist of the following:

General fund to Debt Service for bond service costs	\$ 254,562
General fund to Debt Service for copier lease payments	41,362
Capital Projects to Debt Service for green space	64,793
Special Revenue fund to General fund for general office costs and maintenance for School Lunch	10,000

**6. Capital Assets**

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<i>Primary Government</i>				
Capital Assets Not Being Depreciated				
Land	\$ 1,293,133	\$ 74,498	\$	\$ 1,367,631
Total Capital Assets Not Being Depreciated	<hr/> 1,293,133	<hr/> 74,498	<hr/>	<hr/> 1,367,631
Capital Assets Being Depreciated				
Buildings and improvements	37,364,559			37,364,559
Equipment and vehicles	6,476,869	796,658	79,324	7,194,203
Total Capital Assets Being Depreciated	<hr/> 43,841,428	<hr/> 796,658	<hr/> 79,324	<hr/> 44,558,762
Total Capital Assets	<hr/> 45,134,561	<hr/> 871,156	<hr/> 79,324	<hr/> 45,926,393

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**6. Capital Assets - continued**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Less Accumulated Depreciation for				
Buildings and improvements	13,247,403	715,134		13,962,537
Equipment and vehicles	4,136,979	585,923	79,324	4,643,578
Total Accumulated Depreciation	<u>17,384,382</u>	<u>1,301,057</u>	<u>79,324</u>	<u>18,606,115</u>
Net Capital Assets	<u>\$ 27,750,179</u>	<u>\$ (429,901)</u>	<u>\$</u>	<u>\$ 27,320,278</u>

*Discretely Presented Component Units*

Activity for James Valley Career and Technology Center for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land	\$ 45,598	\$	\$	\$ 45,598
Capital Assets Being Depreciated				
Buildings and improvements	1,607,700			1,607,700
Equipment and vehicles	306,425	12,041		318,466
Total Capital Assets Being Depreciated	<u>1,914,125</u>	<u>12,041</u>		<u>1,926,166</u>
Total Capital Assets	<u>1,959,723</u>	<u>12,041</u>		<u>1,971,764</u>
Less accumulated depreciation				
Buildings and improvements	1,189,698	32,154		1,221,852
Equipment and vehicles	194,094	21,337		215,431
Total Accumulated Depreciation	<u>1,383,792</u>	<u>53,491</u>		<u>1,437,283</u>
Net Capital Assets	<u>\$ 575,931</u>	<u>\$ (41,450)</u>	<u>\$</u>	<u>\$ 534,481</u>
Depreciation expense by function				
Instruction				
Regular				\$ 1,101,506
Support				
Administrative services				22,464
Operation and maintenance				50,775
Other				126,312
Total Primary Government				<u>1,301,057</u>
Component Units				
James Valley				53,491
Total Depreciation Expense				<u>\$ 1,354,548</u>

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**7. Deferred Outflows/Inflows of Resources - continued**

consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District currently has deferred outflows of resources related to pensions.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District currently has deferred inflows of resources related to pensions. The District has unavailable revenue from a variety of resources in the governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Long-Term Obligations**

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

*Primary Government*

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
<b>Bonds and Lease/Purchase</b>					
State school construction bonds 2002	\$ 932,112	\$	\$ 932,112	\$	\$
School building refunding bonds, Series 2010	3,990,000		3,990,000		
Bond premium	91,056		91,056		
Limited tax school building bonds, Series 2011	1,580,000		215,000	1,365,000	220,000
Bond discount	(8,445)		(1,236)	(7,209)	
Limited tax school building bonds, Series 2012	740,000		50,000	690,000	50,000
Bond discount	(18,544)		(2,367)	(16,177)	
Lease/purchase, copiers	86,171		41,362	44,809	41,362
<b>Total Bonds and Lease/Purchase</b>	<u>7,392,350</u>		<u>5,315,927</u>	<u>2,076,423</u>	<u>311,362</u>
<b>Other Liabilities</b>					
Annuity payable	233,825	6,536		240,361	
Vested compensated absences	37,213	35,871		73,084	
Net pension obligation	24,792,031	4,630,839		29,422,870	
<b>Total Other Liabilities</b>	<u>25,063,069</u>	<u>4,673,246</u>		<u>29,736,315</u>	
<b>Total Long-Term Liabilities</b>	<u>\$32,455,419</u>	<u>\$ 4,673,246</u>	<u>\$ 5,315,927</u>	<u>\$31,812,738</u>	<u>\$ 311,362</u>
<i>Discretely Presented Component Unit</i>					
<b>James Valley</b>					
<b>Other Liabilities</b>					
Vested compensated absences	<u>\$ 2,886</u>	<u>\$ 2,255</u>	<u>\$</u>	<u>\$ 5,141</u>	<u>\$</u>

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

**NOTES TO FINANCIAL STATEMENTS - continued**

**Year Ended June 30, 2016**

**8. Long-Term Obligations - continued**

Terms and maturity of long term debt are as follows:

\$2,500,000 general obligation state school construction fund bonds dated June 3, 2002, due in annual installments of \$138,538.29 including interest starting June 1, 2003 to June 1, 2032 with interest at 1%.

\$13,085,000 general obligation school building refunding bonds, series 2010, dated March 15, 2010, due in annual installments of \$1,965,000 to \$2,370,000 starting May 1, 2012 to May 1, 2017 with interest from 2.0% to 3.0%. The bonds have been fully defeased as of December 15, 2016.

\$2,350,000 limited tax school building bonds, series 2011, dated June 8, 2011, due in annual installments of \$155,000 to \$240,000 starting May 1, 2012 to May 1, 2022 with interest at 2.0% to 3.0%.

\$835,000 limited tax school building bonds, series 2012, dated April 18, 2012, due in annual installments of \$45,000 to \$60,000 starting August 1, 2013 to August 1, 2028 with interest at .650% to 3.0%.

\$206,809 lease/purchase dated August 1, 2012, due in monthly payments of \$3,446.82 starting August 1, 2012 through July 1, 2017.

The District has entered into a deferred compensation agreement with a former employee. The agreement calls for the payment of not less than \$144,000, to be paid in 120 equal monthly installments of \$1,200 beginning January 30, 2007. In order to satisfy this liability, the District has purchased a deferred annuity and whole life insurance plan at a cost of \$114,582.

During the current year, the District realized cash savings of \$22,881 by transferring to an escrow account sufficient funds to payoff the 2010 general obligation school building bonds.

Estimated payments of accumulated employee benefits and other commitments are not included in the following schedule.

Debt service requirements to maturity on general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 270,000	\$ 49,605	\$ 319,605
2018	270,000	44,630	314,630
2019	275,000	39,215	314,215
2020	285,000	32,690	317,690
2021	290,000	25,453	315,453
2022- 2026	490,000	50,127	540,127
2027 - 2029	175,000	8,025	183,025
Totals	<u>\$ 2,055,000</u>	<u>\$ 249,745</u>	<u>\$ 2,304,745</u>

The School leases equipment with a historical cost of \$212,178 and accumulated amortization of \$166,206 under capital lease arrangements. Future minimum lease payments at June 30, 2016, are as follows:

2017	\$ 41,362
2018	3,447
	<u>\$ 44,809</u>

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement**

The following brief description of TFFR is provided for general information purposes only. Participants should refer to the 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.

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

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 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 on medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

**Member and Employer Contributions**

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

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

employment must claim a refund of contributions paid before age 70 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2016, the District reported a liability of \$27,317,119 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2015, the District's proportion was 2.088696% which was a decrease of .081406% from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,677,374. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179,008	\$
Changes in assumptions	3,067,244	
Net difference between projected and actual earnings on pension plan investments		308,040
Changes in proportion and differences between employer contributions and proportionate share of contributions		808,603
District contributions subsequent to the measurement date	1,667,524	
Total	<u>\$ 4,913,776</u>	<u>\$ 1,116,643</u>

Deferred outflows of resources related to pensions in the amount of \$1,667,524 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30:	
2017	\$ 178,521
2018	178,521
2019	178,521
2020	800,091
2021	410,924
Thereafter	383,031



**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

**NOTES TO FINANCIAL STATEMENTS - continued**

**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

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

Inflation	2.75%
Salary increases	4.25% to 14.50% varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	57%	7.5%
Global Fixed Income	22%	1.3%
Global Real Assets	20%	5.4%
Cash Equivalents	1%	0.0%

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

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 payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 36,100,864	\$ 27,317,119	\$ 19,991,661

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at [www.nd.gov/rio/sib/publications/cafr/default.htm](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

**10. North Dakota Public Employees Retirement System**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced

# **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

**NOTES TO FINANCIAL STATEMENTS - continued**

**Year Ended June 30, 2016**

## **10. North Dakota Public Employees Retirement System - continued**

with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

### **Death and Disability Benefits**

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

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

### **Refunds of Member Account Balance**

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

### **Member and Employer Contributions**

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

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**10. North Dakota Public Employees Retirement System - continued**

- 1 to 12 months of service - Greater of one percent of monthly salary or \$25
- 13 to 24 months of service - Greater of two percent of monthly salary or \$25
- 25 to 36 months of service - Greater of three percent of monthly salary or \$25
- Longer than 36 months of service - Greater of four percent of monthly salary of \$25

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

At June 30, 2016, the District reported a liability of \$2,105,839 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 01, 2015, the District's proportion was .30969 percent which was a decrease of .013792 from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$184,029. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 61,093	\$
Net difference between projected and actual earnings on pension plan investments	243,326	287,780
Change of assumptions		187,620
Changes in proportion and difference between employer contribution and proportionate share of contributions	1,546	84,768
District contributions subsequent to the measurement date	265,041	
Total	<u>\$ 571,006</u>	<u>\$ 560,168</u>

Deferred outflows of resources related to pensions in the amount of \$265,041 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30:	
2017	\$ (73,728)
2018	(73,728)
2019	(73,728)
2020	18,131
2021	(51,141)

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**10. North Dakota Public Employees Retirement System - continued**

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31%	6.9%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**10. North Dakota Public Employees Retirement System - continued**

long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
District's proportionate share of the net pension liability	\$ 3,329,199	\$ 2,105,839	\$ 1,186,728

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

**11. Risk Management**

The District is exposed to various risks related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; health care of its employees and natural disasters. The District is self-insured for employee health insurance. The District has established a separate fund to account for this activity: Health Insurance. Each participating fund makes payments to the health insurance fund. Such payments are displayed on the financial statements as revenues and expenditures/expenses to the extent that the charge to the other funds is based on the actual expenses of the funds plus an additional amount for catastrophic losses. Payments in excess of these amounts, if any, are reported as operating transfers.

The District has contracted with third party administrators (TPAs) to administer the employee health insurance programs and to review and process claims. In addition, the District has contracted with third party carriers for specific and aggregate stop loss coverage to limit the District's exposure to losses. The specific and aggregate stop loss coverage is as follows:

Health Insurance - The District is self-insured for \$60,000 per individual per year.

Additionally, commercial insurance covers claims in excess of an aggregate amount for the District (which is determined annually based upon the District's past claim experience) up to 120% of expected claims per plan year. Settled claims have not exceeded the commercial coverage in the last three years. All funds of the District participate in the program and make payments to the Group Health Insurance Fund based on individual employee premiums.

The unpaid claims liability of \$91,653 for 2016 and \$92,471 for 2015 has been accrued since the District reports on the modified accrual basis. The District currently does not discount its unpaid claims liabilities.

A Reconciliation of Unpaid Claims Liabilities is shown below:

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**11. Risk Management- continued**

	<u>2016</u>	<u>2015</u>
Reconciliation of Unpaid Claims Liabilities		
Unpaid claims and claim adjustment expenses at beginning of year	\$ 92,471	\$ 112,528
Incurred claims and claim adjustment expense		
Provision for insured events of the current year	2,900,702	2,894,320
Claim and claim adjustment expenses attributable to insured events of the current year	<u>(2,901,520)</u>	<u>(2,914,377)</u>
Unpaid claims and claim adjustment expenses at end of year	<u>\$ 91,653</u>	<u>\$ 92,471</u>

The District's risk for liability coverage, real and personal property, is covered by premiums paid to commercial carriers. The District's risk for worker's compensation is covered by premiums paid to the North Dakota Workforce Safety & Insurance. The Bureau was created by the Legislature of the State of North Dakota. There has been no major reduction in insurance coverage and settled claims from these risks have not exceeded commercial coverage for the past three years.

**12. Contingencies**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2016.

**13. Governmental Activities Net Position**

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2016 include the following:

***Governmental Activities***

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 27,320,278
Less: related long-term debt outstanding	<u>(2,076,423)</u>
Net Investment in Capital Assets	<u>25,243,855</u>
Restricted	
Capital projects	1,157,018
Debt service	428,315
Operations	397,209
Total Restricted	<u>1,982,542</u>
Unrestricted	<u>(19,968,676)</u>
Total Governmental Activities Net Position	<u>\$ 7,257,721</u>

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**14. Governmental Fund Balances**

Governmental fund balances reported on the fund financial statements at June 30, 2016, include the following:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Lunch</u>	<u>Special Reserve</u>
Nonspendable Inventories	\$	\$	\$	\$ 20,884	\$
Restricted					
Debt service		420,869			
Capital projects			1,128,457		
Operations					397,209
Assigned					
School lunch				148,461	
Unassigned	<u>3,517,438</u>				
	<u>\$3,517,438</u>	<u>\$ 420,869</u>	<u>\$ 1,128,457</u>	<u>\$ 169,345</u>	<u>\$ 397,209</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

# JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1

Jamestown, North Dakota

## BUDGET AND ACTUAL (With Variances)

General Fund

Year ended June 30, 2016

	Original	Final	Budgeted Amounts	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>					
Local sources	\$ 5,351,981	\$ 5,401,981	\$ 5,401,981	\$ 5,452,813	\$ 50,832
County sources	12,000	12,000	12,000	104,566	92,566
State sources	20,479,760	20,493,312	20,493,312	20,363,617	(129,695)
Federal sources	1,606,198	1,655,221	1,655,221	1,613,789	(41,432)
Investment earnings	20,000	20,000	20,000	14,794	(5,206)
Miscellaneous				14,924	14,924
Total Revenues	27,469,939	27,582,514	27,582,514	27,564,503	(18,011)
<b>EXPENDITURES</b>					
Instruction					
Regular	14,320,813	14,290,940	14,290,940	14,125,558	165,382
Federal	905,008	954,031	954,031	912,599	41,432
Special education	4,711,486	4,711,486	4,711,486	4,722,085	(10,599)
Vocational education	448,275	448,275	448,275	469,618	(21,343)
Support services					
Instructional support services	1,466,376	1,581,718	1,581,718	1,521,707	60,011
Administrative services	658,284	658,284	658,284	606,621	51,663
Operation and maintenance of plant	2,052,234	2,052,234	2,052,234	1,832,776	219,458
Student transportation	525,000	525,000	525,000	474,018	50,982
Extracurricular activities	602,241	602,241	602,241	936,768	(334,527)
Other support services	382,979	382,979	382,979	388,735	(5,756)
Community services	31,150	31,150	31,150	36,994	(5,844)
Tuition and assessment	1,433,575	1,433,575	1,433,575	1,703,490	(269,915)
Total Expenditures	27,537,421	27,671,913	27,671,913	27,730,969	(59,056)
Excess (deficiency) of revenues over expenditures	(67,482)	(89,399)	(89,399)	(166,466)	(77,067)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,000	10,000	10,000	10,000	
Transfer out	(617,853)	(617,853)	(617,853)	(295,924)	321,929
Total other financing sources and uses	(607,853)	(607,853)	(607,853)	(285,924)	321,929
Net change in fund balances	(675,335)	(697,252)	(697,252)	(452,390)	244,862
Fund balances - beginning	3,969,828	3,969,828	3,969,828	3,969,828	
Fund balances - ending	\$ 3,294,493	\$ 3,272,576	\$ 3,272,576	\$ 3,517,438	\$ 244,862

# **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**

**Jamestown, North Dakota**

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**General Fund**

**Year Ended June 30, 2016**

### **Note A – Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent in consultation with the Business Manager and the Finance Committee prepares the District budget on the cash basis of accounting. In June, the Finance Committee recommends that the School Board accept the budget. The budget includes proposed expenditures and the means of financing them. For budgetary purposes, property tax revenues and state and federal aid are recognized on the cash basis. The budget includes the general fund, the school lunch fund and the special reserve fund (special revenue).
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the county auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

### **Note B – Excess of Expenditures over Appropriations**

Expenditures of the General Fund exceeded appropriations by \$59,056. All expenditures were approved by the School Board. These expenditures were all funded by available fund balance.

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.309690%	0.323482%
Employer's proportionate share of the net pension liability	\$ 2,105,839	\$ 2,053,209
Employer's covered payroll	\$ 2,758,958	\$ 2,724,949
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 209,565	\$ 194,016
Contributions in relation to the statutorily required contributions	\$ (211,422)	\$ (194,016)
Contribution deficiency (excess)	\$ (1,857)	\$
Employer's covered-employee payroll	\$ 2,758,958	\$ 2,724,949
Contributions as a percentage of covered-employee payroll	7.60%	7.12%

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**ND Public Employees Retirement System**

**1. CHANGES OF ASSUMPTIONS**

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

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY**  
**ND Teachers' Fund for Retirement**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	2.088696%	2.170102%
Employer's proportionate share of the net pension liability	\$ 27,317,119	\$ 22,738,822
Employer's covered payroll	\$ 12,847,669	\$ 12,587,748
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	62.10%	66.60%

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

**SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS**  
**ND Teachers' Fund for Retirement**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,637,999	\$ 1,353,170
Contributions in relation to the statutorily required contributions	\$ (1,637,999)	\$ (1,353,170)
Contribution deficiency (excess)	\$	\$
Employer's covered-employee payroll	\$ 12,847,669	\$ 12,587,748
Contributions as a percentage of covered-employee payroll	12.75%	10.75%

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**ND Teachers' Fund for Retirement**

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

Investment return assumption lowered from 8% to 7.75%.

Inflation assumption lowered from 3% to 2.75%.

Total salary scale rates lowered by 0.25% due to lower inflation

Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.

Rates of turnover and retirement were changed to better reflect anticipated future experience.

Update mortality assumption to the RP-2014 mortality tables with generational improvement.

**OTHER SUPPLEMENTARY INFORMATION**

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**SCHOOL DISTRICT OFFICIALS**  
**June 30, 2016**

Roger Haut	President
Heidi Larson	Vice-President
Greg Allen	Board Member
Gail Martin	Board Member
Mindi Schmitz	Board Member
Brenda Roemmich	Board Member
Diane Hanson	Board Member
Terry Anderson	Board Member
Robert Toso	Board Member
Robert Lech	Superintendent
Sally Ost	Business Manager

# Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA  
Duane R. Dunn, CPA  
Robert A. Platz, CPA

**INDEPENDENT AUDITORS' 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  
**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
Jamestown, 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** basic financial statements and have issued our report thereon dated January 13, 2017.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1'S** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1'S** internal control. Accordingly, we do not express an opinion on the effectiveness of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be a significant deficiency. (2016-001)



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* – continued 2**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's Response to Finding**

JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no 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.



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
January 13, 2017

# Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA  
Duane R. Dunn, CPA  
Robert A. Platz, CPA

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

School Board  
JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1  
Jamestown, North Dakota

### Report on Compliance for Each Major Federal Program

We have audited JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1'S major federal programs for the year ended June 30, 2016. JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1' s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1' s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE – continued - 2**

**Opinion on Each Major Federal Program**

In our opinion, JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

Management of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1's internal control over compliance.

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

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

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

*Schauer & Associates, P.C.*

SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
January 13, 2017

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**SUPPLEMENTARY INFORMATION - continued**  
**Year Ended June 30, 2016**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor/Pass-Through Grantor Program Grant Title	Federal CFDA #	Pass-through Grantor Numbers	Expenditures
<b>Jamestown Public School District No. 1</b>			
U.S. Department of Agriculture			
Passed through State Department of Public Instruction			
School Breakfast Program	10.553	I006	\$ 88,899
National School Lunch	10.555	I006	420,205
Special Milk Program for Children	10.556	I006	379
Summer School Food Program	10.559	I008	16,969
<b>Child Nutrition Cluster **</b>			<u>526,452</u>
Fresh Fruits & Vegetables Program	10.582	I009	46,220
Nutrition Training	10.574	I011	170
Nonmonetary Assistance			
Food Distribution (commodities) *	10.550	none	77,545
Total Department of Agriculture			<u>650,387</u>
U.S. Department of Education			
Passed through State Department of Public Instruction			
Title I – Grants to Local Education Agencies	84.010	I019	634,164
IDEA B Grants for Children with Disabilities	84.027	I024	687,022
IDEA B Preschool Grants	84.173	I026	14,169
<b>Special Education Cluster (IDEA)</b>			<u>701,191</u>
Title II, Part A Teacher Principal Quality Training	84.367	I046	264,565
Title VI, Grants for Assessment & Related Activities	84.396A	I047	13,869
Total Department of Education			<u>1,613,789</u>
Total Jamestown Public School District No. 1			<u>\$ 2,264,176</u>
<b>James Valley Career and Technology Center</b>			
U.S. Department of Labor			
Passed through State Department of Public Instruction			
Work Incentive Grant	17.266		\$ 5,263
U.S. Department of Education			
Passed through State Department of Public Instruction			
Adult Education – Basic	84.002	I048	30,000
Passed through State Department of Career & Technical Education			
Carl Perkins Allocation	84.048A		57,749
Total James Valley Career and Technology Center			<u>\$ 93,012</u>
Total Federal Awards			<u>\$ 2,357,188</u>

\* NONCASH ITEM

\*\* MAJOR PROGRAM

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

**A. Summary of Auditors' Results**

Financial Statements

Type of Auditors' Report - Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	X	Yes	_____	None reported

Noncompliance material to financial statements noted?	_____	Yes	_____	X	No
---	-------	-----	-------	---	----

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes	_____	X	None reported

Type of auditors' report issued on compliance for major programs - unmodified

Identification of major programs

10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer School Food Program

Dollar threshold used to distinguish between type A and Type B programs:	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	_____	X	Yes	_____	No
--	-------	---	-----	-------	----

**B. Findings Related to the Financial Statements which are Required to be Reported in Accordance With *Government Auditing Standards*.**

Finding 2016-001 Significant Deficiency -- Financial Statement Preparation

Condition

Schauer & Associates, P.C. assists the School District's management in preparing financial statements that are presented, including note disclosure in accordance with generally accepted accounting principles.

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – continued 2**  
**Year Ended June 30, 2016**

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause

The School District's Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

View of Responsible Officials

The School Board is aware of this condition. The School Board will continue to request that Schauer & Associates, P.C. assist with preparation of financial statements; however the Board will instruct the District administration to provide all requested schedules.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit.**

1. None

**JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**  
**Jamestown, North Dakota**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2016**

**A. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** and component units under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1**.

**B. Basis of Accounting**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. **JAMESTOWN PUBLIC SCHOOL DISTRICT NO. 1** has elected not to use the 10-percent de Minimis indirect cost rate as allotted under the Uniform Guidance.