

***KILLDEER PUBLIC SCHOOL
DISTRICT NO. 16***

AUDIT REPORT

JUNE 30, 2016

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
KILLDEER, NORTH DAKOTA

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, Killdeer, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16, Killdeer, North Dakota as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the District's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 37, the District's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 38, and budgetary comparison information on pages 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's internal control over financial reporting and compliance.



Mahlum Goodhart, PC
Mandan, North Dakota
December 28, 2017

Killdeer Public School District No. 16
Management's Discussion and Analysis
June 30, 2016

This section of the Killdeer Public School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- Net position increased \$1,471,205 as a result of current year's operations.
- Governmental net position totaled \$7,646,648 at June 30, 2016.
- Total revenues were \$7,841,473.
- Total expenses were \$6,370,268.
- Property tax valuation has increased.
- The District received \$315,427 of flood control monies from Dunn County.
- The District finished construction of a new athletic complex, construction of housing units for the District's teachers, and construction on classroom portables.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statement comprises three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial statements.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide financial statements.
 - The *governmental fund* statements tell how *general government* services were financed in the short term as well as what remains for future spending.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Killdeer Public School District No. 16
Management's Discussion and Analysis
June 30, 2016

The following chart summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Type of Statement	Government-wide	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District except fiduciary funds	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues expenditures & changes in fund balances	Statement of net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, although they can
Type of revenues and expenses	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Killdeer Public School District No. 16
Management's Discussion and Analysis
June 30, 2016

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District are included in the category:

Governmental activities – Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, and general administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The School Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the differences between them.
- *Fiduciary* – This District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Killdeer Public School District No. 16
Management's Discussion and Analysis
June 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position increased from fiscal year 2015 to fiscal year 2016 by \$1,471,205.

	June 30, 2016	June 30, 2015
Current and Other Assets	\$ 2,897,594	\$ 2,962,657
Capital and Non-Current Assets	9,907,360	9,169,351
Total Assets	12,804,954	12,132,008
Deferred Outflows of Resources	1,322,714	422,814
Current Liabilities	13,008	500,000
Long-Term Liabilities	6,286,438	5,319,974
Total Liabilities	6,299,446	5,819,974
Deferred Inflows of Resources	181,574	559,405
Net Position		
Net Investment in Capital Assets	9,577,360	8,794,351
Restricted	525,696	201,454
Unrestricted	(2,456,408)	(2,820,362)
Total Net Position	\$ 7,646,648	\$ 6,175,443

A portion of the net position is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net position may be used to fund District programs in the next fiscal year.

Changes in net position. The District's total revenues were \$7,841,473. This is an increase of \$939,550, or 13.6% from the prior year. Approximately 35% of the District's revenues are from state aid; 25% is from property taxes; 14% is from oil and gas production taxes; 4% is from flood control funding; 17% is from capital and operating grants and contributions; and 5% is from charges for services, interest and other revenue.

The total cost of all programs and services was \$6,370,268. Approximately 62% of these costs are for instruction and instruction-related services, 21% are for school administration and support services, 16% are for student support services, and less than 1% is for community services and interest on long-term debt.

Killdeer Public School District No. 16
Management's Discussion and Analysis
June 30, 2016

Governmental Activities

The District's taxes are levied for the general fund, the capital projects fund, and a special reserve fund. Property taxes are collected by the county and remitted to the District monthly.

The following table provides a summary of the District's operations for the year ended June 30, 2016.

Governmental Activities	June 30, 2016	June 30, 2015
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 252,477	\$ 232,032
Operating Grants and Contributions	149,734	158,329
Capital Grants and Contributions	1,144,024	543,584
<u>General Revenues</u>		
Property Taxes	1,962,549	1,488,417
Oil & Gas Production Taxes	1,072,429	1,471,466
Unrestricted Flood Control	315,427	845,902
State Aid	2,776,776	1,985,662
Interest Earnings & Other Revenue	<u>168,057</u>	<u>176,531</u>
Total Revenues	7,841,473	6,901,923
 Expenses		
Instruction and Instruction-Related Services	3,948,718	4,395,455
School Administration & Support Services	1,334,165	1,369,486
Student Support Services	1,040,258	1,201,062
Community Services	39,494	28,426
Interest on Long-Term Debt	<u>7,633</u>	<u>3,020</u>
Total Expenses	<u>6,370,268</u>	<u>6,997,449</u>
 Increase (Decrease) in Net Position	 1,471,205	 (95,526)
 Beginning Net Position	 6,175,443	 11,106,523
Adjustment to Beginning Net Position	<u>-</u>	<u>(4,835,554)</u>
Beginning Net Assets, as Restated	<u>6,175,443</u>	<u>6,270,969</u>
Ending Net Position	<u>\$ 7,646,648</u>	<u>\$ 6,175,443</u>

Killdeer Public School District No. 16
 Management's Discussion and Analysis
 June 30, 2016

The following table presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

- The cost of all governmental activities this year was \$6,370,268, a decrease of 9% from last year.
- The amount that our taxpayers paid for these activities through property taxes and state aid was \$4,824,033.
- Some of the cost, \$252,477, was paid by those who directly benefited from the programs.
- Grants and contributions totaled \$1,293,758.

	June 30, 2016		June 30, 2015	
	Total Costs of Service	Net Cost of Services	Total Costs of Service	Net Cost of Services
Instruction and Instruction-Related Services	\$ 3,948,718	\$ 3,782,847	\$ 4,395,455	\$ 4,256,683
School Administration & Support Services	1,334,165	515,141	1,369,486	825,902
Student Support Services	1,040,258	488,373	1,201,062	958,803
Community Services	39,494	30,039	28,426	19,096

Financial Analysis of the District's Funds

- Revenues for governmental fund types totaled \$7,803,060 an increase of \$914,240 from the preceding year.
 - Property taxes increased \$448,822 due to valuation increases.
 - County revenues decreased \$399,037 due to reduced oil and gas production tax based on current oil prices.
 - Flood control decreased \$530,475 because of substantially reduced oil prices and the downward trend in oil prices.
 - State aid increased \$1,065,182 due to an increase in students.
- Expenditures for governmental fund types decreased \$1,198,115 from the preceding year.
 - The general fund expenditures decreased \$284,458. The prior year the District purchased two school busses and new equipment for the computer lab.
 - The capital projects fund expenditures decreased \$899,512. This is due to the various construction projects going on within the District such as teacher housing, a new athletic complex, completion of the modular classrooms, a family duplex, and finishing the track surface of the football stadium being finished up in the current year with most of the work taking place in the prior year.
 - The food service fund expenditures decreased \$14,145. Prior year included salary increases and additional hours worked by kitchen staff to produce additional meals due to the increase in student population and general increases in food prices.

Killdeer Public School District No. 16
Management's Discussion and Analysis
June 30, 2016

General Fund Budgetary Highlights

Actual revenues were \$166,066 more than the final budget amounts. The largest variances included:

- Tuition charges revenues were \$32,887 more than the budgeted amount due having more out of district students than anticipated.
- Fees and charges were \$48,512 over budget due to having more special education students out of district.
- State source revenue was \$77,391 over budget due to increased state aid payments resulting from an increase in student population. The school also received a school safety grant in fiscal year 2016.

Actual expenditures were \$317,743 less than the final budget amounts. The largest variances included:

- Operation and Maintenance expenditures were \$104,828 under budget due to the HVAC upgrades not being fully completed in the current year as anticipated.
- Regular Education Program expenditures were \$111,331 under budget due to many first year teachers being hired, fewer equipment purchases, less travel expenses and less professional contracts needed than initially anticipated.
- Student Transportation expenditures were \$53,504 under budget due to lower fuel prices and fewer repairs than expected.
- Special education expenditures were \$32,888 under budget due to less travel, supplies, equipment, salaries and sub/aid salaries expenses needed during the year than was originally anticipated.

Capital Assets

At the end of fiscal year 2016, the District had invested \$14,304,695 in capital assets, including buildings, building improvements, vehicles, machinery and equipment, and furniture and fixtures. This represents an increase of \$1,212,624 over last year. The increase is due to capitalization of prior year construction in progress projects including the new athletic complex, classroom portables, and finishing of the duplex construction. Also, in the current year the District had construction in progress due to boiler replacement projects and an automatic temperature control system project that began. The capital assets do not include small equipment or classroom furniture.

	June 30, 2016	June 30, 2015
Buildings	\$10,181,565	\$ 7,473,213
Building Improvements	609,538	565,538
Vehicles	1,249,974	1,249,974
Machinery and Equipment	1,239,627	1,130,729
Furniture and Fixtures	840,803	813,274
Construction in Progress	<u>183,188</u>	<u>1,859,343</u>
Total	14,304,695	13,092,071
Less Accumulated Depreciation	<u>(4,397,335)</u>	<u>(3,922,720)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 9,907,360</u>	<u>\$ 9,169,351</u>

Additional information on the District's capital assets can be found in note 6 of this report.

Killdeer Public School District No. 16
Management's Discussion and Analysis
June 30, 2016

Debt Administration

As of June 30, 2016, Killdeer Public School District had \$330,000 in outstanding debt of which \$45,000 is due within one year.

For a detailed description of the long-term debt, please see Note 7 to the audited financial statements which follow this analysis.

Economic Factors and Next Year's Budgets and Rates

The following indicators were taken into account when adopting the general fund budget for 2017:

- Salary increases for all staff
- Property tax valuation rise from \$32 million to \$36 million
- High valuation district
- Finish duplex with unfinished basements
- Building of concession stand and revamping grand stands for the new sports complex
- HVAC system updates and control updates
- Re-roof the 1975 addition
- Repairs needed for hail storm damages and expenses incurred

Amounts available for appropriation in the general fund budget are \$6,241,568.

General fund expenditures are budgeted to increase to \$6,487,343.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by \$245,775 by the close of the 2017 fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the business manager or superintendent.

Killdeer Public School District No. 16
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,035,642
Investments	759,142
Accounts Receivable, Net	35,912
Interest Receivable	1,100
Taxes Receivable, Net	65,798
Capital Assets	
Land & Buildings	10,181,565
Building Improvements	609,538
Vehicles	1,249,974
Machinery and Equipment	1,239,627
Furniture and Fixtures	840,803
Construction in Progress	183,188
Less Accumulated Depreciation	<u>(4,397,335)</u>
Total Capital Assets, Net of Depreciation	<u>9,907,360</u>
TOTAL ASSETS	12,804,954
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension	1,322,714
LIABILITIES	
Salaries and Benefits Payable	13,008
Long-Term Liabilities:	
Portion Due or Payable within One Year	
General Obligation Bonds Payable	45,000
Portion Due or Payable after One Year	
Net Pension Liability	5,956,438
General Obligation Bonds Payable	<u>285,000</u>
TOTAL LIABILITIES	<u>6,299,446</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension	181,574
NET POSITION	
Net Investment in Capital Assets	9,577,360
Restricted for:	
Capital Projects	525,696
Unrestricted	<u>(2,456,408)</u>
TOTAL NET POSITION	<u>\$ 7,646,648</u>

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues				Net (Expense) Revenue & Changes in Net Position
Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	
Functions/Programs					
Governmental Activities					
Instruction & Instruction-Related Services	\$ 3,948,718	\$ 102,887	\$ 62,984	\$ -	\$ (3,782,847)
School Administration & Support Services	1,334,165	-	-	819,024	(515,141)
Student Support Services	1,040,258	149,590	77,295	325,000	(488,373)
Community Services	39,494	-	9,455	-	(30,039)
Interest on Long-Term Debt	7,633	-	-	-	(7,633)
Total Primary Government	6,370,268	252,477	149,734	1,144,024	(4,824,033)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose					1,604,294
Property Taxes, Levied for Capital Projects					358,255
Oil & Gas Production Taxes					1,072,429
Unrestricted Flood Control through County					315,427
State Aid					2,776,776
Unrestricted Investment Earnings					2,903
Other Revenues					165,154
Total General Revenues					6,295,238
Change in Net Position					1,471,205
Net Position - Beginning of Year					6,175,443
Net Position - End of Year					\$ 7,646,648

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Balance Sheet - Governmental Funds
June 30, 2016

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects		
ASSETS				
Cash and Cash Equivalents	\$ 1,516,892	\$ 513,612	\$ 5,138	\$ 2,035,642
Investments	550,000	-	209,142	759,142
Accounts Receivable, Net	29,666	-	6,246	35,912
Interest Receivable	700	-	400	1,100
Taxes Receivable, Net	53,714	12,084	-	65,798
TOTAL ASSETS	<u>\$ 2,150,972</u>	<u>\$ 525,696</u>	<u>\$ 220,926</u>	<u>\$ 2,897,594</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 13,008	\$ -	\$ -	\$ 13,008
Total Liabilities	13,008	-	-	13,008
Deferred Inflows of Resources:				
Deferred Revenue	53,714	12,084	-	65,798
Total Liabilities and Deferred Inflows of Resources	66,722	12,084	-	78,806
Fund Balances:				
Restricted for Capital Projects	-	513,612	-	513,612
Assigned for:				
Food Service	-	-	11,384	11,384
Special Reserve	-	-	209,542	209,542
Unassigned	2,084,250	-	-	2,084,250
Total Fund Balances	<u>2,084,250</u>	<u>513,612</u>	<u>220,926</u>	<u>2,818,788</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,150,972</u>	<u>\$ 525,696</u>	<u>\$ 220,926</u>	<u>\$ 2,897,594</u>
Total fund balances - governmental funds				\$ 2,818,788
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,304,695 and the accumulated depreciation is \$4,397,335.				9,907,360
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.				1,322,714
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.				(5,956,438)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.				(181,574)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.				65,798
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.				
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2016 are:				
General Obligation Bonds Payable				<u>(330,000)</u>
Net position of governmental activities				<u>\$ 7,646,648</u>

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	<u>Major Funds</u>		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects		
REVENUES				
Property Taxes	\$ 1,573,450	\$ 350,686	\$ -	\$ 1,924,136
County Revenues	1,072,429	-	-	1,072,429
Flood Control through County	315,427	-	-	315,427
Tuition Charges	102,887	-	-	102,887
Community Service Activities	9,455	-	-	9,455
Fees and Charges	86,512	-	149,590	236,102
State Aid	2,798,111	819,024	3,573	3,620,708
Federal Aid	41,649	-	73,722	115,371
Contributions	-	325,000	-	325,000
Earnings on Investments	2,901	-	2	2,903
Miscellaneous	-	78,642	-	78,642
TOTAL REVENUES	<u>6,002,821</u>	<u>1,573,352</u>	<u>226,887</u>	<u>7,803,060</u>
EXPENDITURES				
Current:				
Regular Education Programs	3,202,427	-	-	3,202,427
Title II	30,477	-	-	30,477
Improvement of Instruction Service	20,323	-	-	20,323
Instructional Media Service	129,065	-	-	129,065
School Board	85,637	-	-	85,637
Executive Administration	184,700	-	-	184,700
Supportive Service - Business	241,513	-	-	241,513
Operation & Maintenance	660,478	-	-	660,478
Student Activities	323,205	-	-	323,205
Student Transportation	333,386	-	-	333,386
Vocational Education	170,722	-	-	170,722
Special Education	473,214	-	-	473,214
Adult Education/Community Services	39,494	-	-	39,494
Food Service	4,138	-	264,086	268,224
Capital Outlay:				
Capital Projects	-	1,204,046	-	1,204,046
Debt Service:				
Principal	-	45,000	-	45,000
Interest	-	7,633	-	7,633
TOTAL EXPENDITURES	<u>5,898,779</u>	<u>1,256,679</u>	<u>264,086</u>	<u>7,419,544</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,042	316,673	(37,199)	383,516
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(45,000)	-	45,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(45,000)</u>	<u>-</u>	<u>45,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	59,042	316,673	7,801	383,516
Fund Balances - July 1, 2015	<u>2,025,208</u>	<u>196,939</u>	<u>213,125</u>	<u>2,435,272</u>
FUND BALANCES - JUNE 30, 2016	<u>\$ 2,084,250</u>	<u>\$ 513,612</u>	<u>\$ 220,926</u>	<u>\$ 2,818,788</u>

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the year ended June 30, 2016

Net change in fund balances - total governmental funds \$ 383,516

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

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

Capital assets purchased in the current period	\$ 1,228,345	
Depreciation expense of capital assets reported	<u>(490,336)</u>	738,009

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement but the repayment reduces long-term liabilities in the statement of net position. The amount of debt issued and repaid is: 45,000

Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions. 266,267

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 38,413

Change in net position of governmental activities \$ 1,471,205

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Fiduciary Net Position
June 30, 2016

	Private-Purpose Trust Fund Scholarship	<u>Agency Funds</u>	
		Student Activities	Flex Benefits
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 237,417	\$ 17,059
Investments	2,149	-	-
TOTAL ASSETS	2,149	\$ 237,417	\$ 17,059
 LIABILITIES			
Due to Employees	-	\$ -	\$ 17,059
Due to Student Activities Groups	-	237,417	-
TOTAL LIABILITIES		\$ 237,417	\$ 17,059
 NET POSITION			
Held in Trust for:			
Individuals	\$ 2,149		

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Statement of Changes in Fiduciary Net Position
June 30, 2016

	Private-Purpose Trust Fund Scholarship
REVENUE	
Interest Income	\$ 14
EXPENDITURES	
Scholarship	-
Change in Net Position	14
Net Position - Beginning of Year	2,135
Net Position - End of Year	\$ 2,149

The accompanying notes are an integral part of this statement.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Killdeer Public School District No. 16 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the District's financial statements include all accounts of the District's operations. The criteria for including organizations as component units within the District's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the 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 supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The District has no proprietary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

General Fund: The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund: This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, and the making of major repairs to existing buildings.

The agency fund accounts for assets held by the District in a purely custodial capacity and is not included in the government-wide statements. Since the agency fund is custodial in nature, it does not involve the measurement of results of operations. The District has two agency funds which account for monies due to student groups and employees.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

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

E. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased.

Credit Risk:

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

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

Investments are stated at fair value for debt securities as required by GASB 31 and cost for certificates of deposit. All investments are reported at current fair market value. The District has not adopted a policy limiting the amount that can be invested with any one issuer.

G. Inventory

A food inventory for the Food Service Fund is not recorded at year end because it is immaterial. School supplies are considered to be an expense in the year they are appropriated.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Capital Assets

Capital assets include buildings, building improvements, vehicles, machinery and equipment, and furniture and fixtures and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	70 years
Building Improvements	20 years
Vehicles	5-10 years
Machinery and Equipment	5-10 years
Furniture and Fixtures	5-10 years

I. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond discounts, premiums, and issuance costs are recognized in the current period.

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

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for special purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

M. Deferred Inflows of Resources

Deferred inflows of resources in the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include deferred revenue.

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 8 for additional information.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS's fiduciary net position have been determined on the same basis as they are reported by TFFR and 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.

NOTE 2 DEPOSITS

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

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

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

As of June 30, 2016, the District's carrying balances were \$2,794,784 for governmental funds and \$256,625 for agency funds. The bank balance of these deposits as of June 30, 2016 was \$3,494,157. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$2,744,157 was collateralized with securities held by the pledging financial institutions' agent not in the District's name. During the fiscal year ended June 30, 2016, the board reviewed the pledge of securities semi-annually as required by state law.

NOTE 3 INVESTMENTS

At June 30, 2016, the District's investments were held in certificates of deposit. These investments are reported at fair market value. The interest rates earned on the certificates range from 0.25 percent to 0.45 percent.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 4 PROPERTY TAX

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts from other organizations for goods and services furnished by the District. Management has deemed all receivables to be collectible; therefore, no allowance has been established for uncollectible accounts.

NOTE 6 CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2016:

Land & Buildings	\$ 10,181,565
Building Improvements	609,538
Vehicles	1,249,974
Machinery and Equipment	1,239,627
Furniture and Fixtures	840,803
Construction in Progress	<u>183,188</u>
Total	14,304,695
Less Accumulated Depreciation	<u>(4,397,335)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 9,907,360</u>

Depreciation expense for the year ended June 30, 2016 was \$490,336 and is reported in the government-wide statement of activities. Depreciation charged to instruction and instruction-related services is \$199,828, school administration and support services is \$175,065, and student support services is \$115,443.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 6 CAPITAL ASSETS (CONTINUED)

Following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2016:

	Capital Assets	Accumulated Depreciation	Total
Balance, June 30, 2015	\$ 13,092,071	\$ 3,922,720	\$ 9,169,351
Purchases	1,228,345	-	1,228,345
Dispositions	(15,721)	(15,721)	-
Current Year Depreciation	-	490,336	(490,336)
Balance, June 30, 2016	\$ 14,304,695	\$ 4,397,335	\$ 9,907,360

NOTE 7 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2016:

	General Obligation Bonds Payable
Payable, 6/30/15	\$ 375,000
Increases	-
Decreases	(45,000)
Payable, 6/30/16	\$ 330,000

Debt service requirements on long-term debt at June 30, 2016 are as follows:

	General Obligation Bonds	
Ending June 30	Principal	Interest
2017	\$ 45,000	\$ 2,584
2018	45,000	2,381
2019	45,000	2,066
2020	45,000	1,639
2021	50,000	1,188
2022-2023	100,000	950
Total	\$ 330,000	\$ 10,808

The following is a summary of long-term debt of the District for the year ended June 30, 2016:

General Obligation Bonds Payable:

\$450,000 General Obligation Building Fund Bonds, Series 2013, due in annual installments of \$30,000 to \$50,000 through August 1, 2022; interest at 0.45% to 0.95%.

\$ 330,000

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 8 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (PENSIONS)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2016 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	\$ 1,126,096
Derived from pension - NDPERS	196,618
Total	\$ 1,322,714
Deferred Inflows of Resources	
Derived from pension - TFFR	\$ 61,202
Derived from pension - NDPERS	120,372
Total	\$ 181,574

Note 9 of the financial statements contains detail of the pension plans.

NOTE 9 PENSION PLANS

1. North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – 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 term certain annuity, partial lump-sum option or level income with Social Security benefits. Members must also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of 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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – CONTINUED

Member and Employer Contributions

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

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

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

At June 30, 2016, the District reported a liability of \$5,427,377 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 0.414983 percent, which was an increase of 0.0146 percent from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$384,207. 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	\$ 35,565	\$ -
Changes of assumptions	609,401	-
Net difference between projected and actual earnings on pension plan investments	-	61,202
Changes in proportion and differences between employer contributions and proportionate share of contributions	145,021	-
Employer contributions subsequent to the measurement date (see below)	336,109	-
Total	\$ 1,126,096	\$ 61,202

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – CONTINUED

\$336,109 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pensions 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:

	<u>For the year ended June 30,</u>	
2017	\$	86,414
2018		86,414
2019		86,414
2020		209,908
2021		132,588
Thereafter		127,048

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 assumption used in the July 1, 2015, funding actuarial valuations 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.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – CONTINUED

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

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

Discount Rate

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

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate

The following presents the 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>
Employer's proportionate share of the net pension liability	\$ 7,172,535	\$ 5,427,377	\$ 3,971,952

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.

NOTE 9 PENSION PLANS – CONTINUED

2. North Dakota Public Employees Retirement System (Main 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 assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – CONTINUED

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2016, the District reported a liability of \$529,061 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2015, the District's proportion was 0.077805 percent which was an increase of 0.01097 percent from its proportion measured as of July 1, 2014.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – CONTINUED

For the year ended June 30, 2016, the District recognized pension expense of \$63,784. 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	\$ 15,349	\$ -
Changes of assumptions	-	47,137
Net difference between projected and actual earnings on pension plan investments	61,132	72,300
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,425	935
Employer contributions subsequent to the measurement date (see below)	52,712	-
Total	\$ 196,618	\$ 120,372

\$52,712 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

For the year ended June 30,	
2017	\$ (974)
2018	(974)
2019	(974)
2020	22,104
2021	4,345
Thereafter	-

Actuarial Assumptions

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

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – CONTINUED

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 for 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 result of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

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

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 9 PENSION PLANS – CONTINUED

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 811,288	\$ 529,061	\$ 298,148

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 10 RISK MANAGEMENT

The Killdeer Public School District No. 16 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Killdeer Public School District No. 16 pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 INTERFUND TRANSFER

For the fiscal year ended June 30, 2016, a fund transfer of \$45,000 was made from the General Fund to the Food Service Fund to help cover the increased food service costs.

Killdeer Public School District No. 16
Notes to Basic Financial Statements
June 30, 2016

NOTE 12 SUBSEQUENT EVENTS AND COMMITMENTS

The District has entered into an agreement for an automatic temperature control system upgrade with a contract of \$284,000. This project will be funded through an Energy Impact and Infrastructure Program grant. As of June 30, 2016, approximately \$55,000 of costs have been incurred on the project.

The District has entered into an agreement for the boiler replacements with a contract amount of \$124,000. This project will be funded through an Energy Impact and Infrastructure Program grant. As of June 30, 2016, approximately \$118,000 of costs had been incurred on the project and an estimated cost to complete is \$6,000.

Due to a hail storm in June 2016 the District incurred losses of approximately \$1.12 million in damages of which insurance claims would cover approximately \$780,000 for items including roof, electrical, vehicle, football lights and score clock and various other infrastructure damages.

Additional projects include finishing a basement for one of the unfinished basement duplex units, and also replacement of heat pumps in various areas of the school for cost of over \$20,000 including labor charges.

NOTE 13 EXPENDITURES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2016, certain individual line items were over in the general fund budget, but as a whole the expenditures were under budget. No remedial action is anticipated.

***REQUIRED
SUPPLEMENTARY INFORMATION***

Killdeer Public School District No. 16
 Required Supplementary Information
 For the Year Ended June 30, 2016

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

	2016	2015
Employer's proportion of the net pension liability (asset)	0.414983%	0.400383%
Employer's proportionate share of the net pension liability (asset)	\$ 5,427,377	\$ 4,195,304
Employer's covered-employee payroll	\$ 2,552,580	\$ 2,322,433
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	62.1%	66.6%

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

Schedule of Employer Contributions
 ND Teachers' Fund for Retirement
 Last 10 Fiscal Years *

	2016	2015
Statutorily required contribution	\$ 325,438	\$ 249,659
Contributions in relation to the statutorily required contribution	\$ (325,438)	\$ (249,659)
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 2,552,580	\$ 2,322,433
Contributions as a percentage of covered-employee payroll	12.75%	10.75%

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

Data reported is measured as of 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

Killdeer Public School District No. 16
 Required Supplementary Information
 For the Year Ended June 30, 2016

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

	2016	2015
Employer's proportion of the net pension liability (asset)	0.077805%	0.066835%
Employer's proportionate share of the net pension liability (asset)	\$ 529,061	\$ 424,216
Employer's covered-employee payroll	\$ 693,144	\$ 562,999
Employer's proportionate share of the net pension liability (asset) 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.

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

	2016	2015
Statutorily required contribution	\$ 52,650	\$ 40,086
Contributions in relation to the statutorily required contribution	\$ (51,527)	\$ (40,086)
Contribution deficiency (excess)	\$ 1,123	\$ -
Employer's covered-employee payroll	\$ 693,144	\$ 562,999
Contributions as a percentage of covered-employee payroll	7.60%	7.12%

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

Data reported is measured as of 7/1/2015 and 7/1/2014.

See independent auditor's report and notes to financial statements.

Killdeer Public School District No. 16
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,546,136	\$ 1,546,136	\$ 1,573,450	\$ 27,314
County Revenues	1,100,000	1,100,000	1,072,429	(27,571)
Flood Control through County	300,000	300,000	315,427	15,427
Tuition Charges	70,000	70,000	102,887	32,887
Community Service Activities	9,250	9,250	9,455	205
Fees and Charges	38,000	38,000	86,512	48,512
State Aid	2,720,720	2,720,720	2,798,111	77,391
Federal Aid	45,649	45,649	41,649	(4,000)
Earnings on Investments	3,000	3,000	2,901	(99)
Miscellaneous	4,000	4,000	-	(4,000)
TOTAL REVENUES	<u>5,836,755</u>	<u>5,836,755</u>	<u>6,002,821</u>	<u>166,066</u>
EXPENDITURES				
Current:				
Regular Education Programs	3,313,758	3,313,758	3,202,427	111,331
Title II	37,127	37,127	30,477	6,650
Improvement of Instruction Service	35,219	35,219	20,323	14,896
Instructional Media Service	134,827	134,827	129,065	5,762
School Board	87,500	87,500	85,637	1,863
Executive Administration	192,439	192,439	184,700	7,739
Supportive Service - Business	239,241	239,241	241,513	(2,272)
Operation & Maintenance	765,306	765,306	660,478	104,828
Student Activities	303,878	323,878	323,205	673
Student Transportation	386,890	386,890	333,386	53,504
Vocational Education	157,709	157,709	170,722	(13,013)
Special Education	506,102	506,102	473,214	32,888
Adult Education/Community Services	36,526	36,526	39,494	(2,968)
Food Service	-	-	4,138	(4,138)
TOTAL EXPENDITURES	<u>6,196,522</u>	<u>6,216,522</u>	<u>5,898,779</u>	<u>317,743</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(359,767)	(379,767)	104,042	483,809
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	(45,000)	(45,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>
NET CHANGE IN FUND BALANCES	(359,767)	(379,767)	59,042	438,809
Fund Balances - July 1, 2015	<u>2,025,208</u>	<u>2,025,208</u>	<u>2,025,208</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2016	<u>\$ 1,665,441</u>	<u>\$ 1,645,441</u>	<u>\$ 2,084,250</u>	<u>\$ 438,809</u>

The accompanying notes are an integral part of this statement.

Killdeer Public School District No. 16
Notes to Required Supplementary Information
June 30, 2016

NOTE 1 CHANGES OF ASSUMPTIONS – ND TEACHERS’ FUND FOR RETIREMENT

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

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

NOTE 2 CHANGES OF ASSUMPTIONS – ND PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund only. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

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

Governing Board
Killdeer Public School District No. 16
Killdeer, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Killdeer Public School District No. 16 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 and have issued our report thereon dated December 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Killdeer Public School District No. 16'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 Killdeer Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of Killdeer Public School District No. 16's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2016-003 described in the accompanying schedule of findings to be a material weakness.

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. We consider deficiencies 2016-001 and 2016-002 described in the accompanying schedule of findings to be significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Killdeer Public School District No. 16'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*.

Killdeer Public School District No. 16's Response to Findings

Killdeer Public School District No. 16's responses to the findings identified in our audit are described in the accompanying schedule of findings. Killdeer Public School District No. 16's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Mahlum Goodhart, PC
Mandan, North Dakota
December 28, 2017

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Schedule of Findings
For the Year Ended June 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Audit

Significant Deficiencies

Finding 2016-001: Segregation of Duties

Condition – The Business Manager is responsible for the majority of accounting functions. Considering the size of the entity, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Cause – There is a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could affect the organization’s ability to timely detect misstatements in amounts that would be material to the financial statements.

Recommendation – This is not unusual in organizations of your size, but the board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management Response – We are aware of the condition and have implemented controls such as reviews and approvals.

KILLDEER PUBLIC SCHOOL DISTRICT NO. 16
Schedule of Findings
For the Year Ended June 30, 2016

Finding 2016-002: Preparation of the Financial Statements

Condition – The financial statements and related notes are prepared by the District’s auditors.

Criteria – Complete and accurate presentation of the financial statements in conformity with generally accepted accounting principles is required.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the accounting department.

Effect – The District has elected to have the auditors complete the full disclosure financial statements.

Recommendation – The preparation of financial statements by the organization’s auditors is not unusual in an organization of this size. Due to the accounting department having adequate accounting knowledge they should continue to review the financial statements and related disclosures.

Management Response – We are aware of the condition and have determined it is most efficient and cost effective to continue to have the auditors prepare the financial statements. We will review the draft financial statements and approve the financial statement disclosures.

Material Weaknesses

Finding 2016-003: Journal Entries

Condition – Journal entries to adjust the short-term lease payable, GASB Statement No. 68 pension amounts and accounts receivable were required during the audit.

Criteria – The entity is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting policies.

Cause – The adjustment for the short-term lease was an unusual financial activity for the School District and the adjustments for GASB Statement No. 68 relating to pensions requires a significant amount of time and research.

Effect – The amount of journal entries made has a material effect on the financial statements.

Recommendation – Monitor unusual activities and identify such items that may require an adjustment to the financial statements.

Management Response – The items were unusual and we will monitor for this type of financial activity in future years.