

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
LIDGERWOOD, NORTH DAKOTA

FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

LIDGERWOOD PUBLIC SCHOOL DISTRICT

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LIDGERWOOD PUBLIC SCHOOL DISTRICT  
LIST OF OFFICIALS  
JUNE 30, 2015

BOARD OF EDUCATION

OFFICE

Betty Wettstein  
Sadie Siemieniewski  
Sally Fredrickson  
Rick Jorgenson  
Jeff Grumbo

President

ADMINISTRATION

Doug Jacobson  
Janice Illies

Superintendent  
Business manager

**Harold J. Rotunda**  
**Certified Public Accountant**  
INDEPENDENT AUDITOR'S REPORT

School Board  
Lidgerwood Public School District  
Lidgerwood, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and aggregate remaining fund information of Lidgerwood Public School District as of and for the year ended June 30, 2015, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lidgerwood Public School District as of June 30, 2015, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

### **Basis of Accounting**

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 4-9 and 31 be presented to supplement the basic financial statements. Such information, although not 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lidgerwood Public School District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basis financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued reports dated November 5, 2015, on my considerations of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



West Fargo, North Dakota  
November 5, 2015

405 West Main Avenue Box 816 West Fargo, ND 58078 Phone (701)281-0483 Cell 212-3908

LIDGERWOOD SCHOOL DISTRICT  
LIDGERWOOD, NORTH DAKOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lidgerwood School District (District), I offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. I encourage readers to consider the information presented here in conjunction with additional information that I have furnished. The intent of this discussion and analysis is to look at the District's financial performance as a whole.

Financial Highlights

\* The assets of District exceeded its liabilities at the close of the most recent fiscal year by \$1,705,709 (Net Assets). Of this amount, \$763,539 (Unrestricted Net Assets) may be used to meet ongoing obligations.

\* The District's total net assets increased by \$ 81,464 as a result of the current year's operation.

\* The District's total revenues from all sources were \$2,898,592. Total expenses were \$2,817,128.

\* At the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$828,263, a net decrease of \$ 79,844 in comparison with the prior year. Approximately 88%, \$729,900, is available for spending through an unreserved fund balance.

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 statements comprise three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

These financial statements are organized so the reader can understand the District as a whole.

LIDGERWOOD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Government-Wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the School District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three groups: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

LIDGERWOOD SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of specific groups. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the district's financial position. The district's net assets of \$1,705,709 are segregated into three categories. Invested in capital assets (net of related debt), restricted assets and unrestricted. Net assets invested in capital assets, net of related debt, represents 50% of the District's net assets. These assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. Restricted net assets represent 5% of the District's resources that are subject to external restrictions on how they may be used. Unrestricted net assets represent the remaining 45% of resources. The unrestricted net assets are available to meet the District's ongoing obligations.

	NET ASSETS	
	2015	2014
Assets		
Current and other assets	1,067,587	1,101,550
Capital assets (net)	<u>1,223,249</u>	<u>1,133,675</u>
Total Assets	<u>2,290,836</u>	<u>2,235,225</u>
Liabilities		
Current Liabilities	207,799	161,073
Long Term Liabilities	<u>377,328</u>	<u>449,906</u>
Total Liabilities	<u>585,127</u>	<u>610,979</u>
Net Assets		
Net investment in capital assets	845,921	683,746
Restricted	96,249	186,563
Unrestricted	<u>763,539</u>	<u>753,937</u>
Total Net Assets	<u>1,705,709</u>	<u>1,624,246</u>



LIDGERWOOD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Governmental activities increased the District's net assets by \$81,464. Key elements of this increase are as follows:

CHANGES IN NET ASSETS		
	2015	2014
Revenues		
Program Revenues:		
Charges for Services	62,177	63,332
Operating Grants and Contributions	254,517	261,590
General Revenues		
Taxes	667,865	623,521
State Aid	1,871,766	1,815,450
Mill levy reduction grant		
Interest and Other Revenue	<u>42,266</u>	<u>32,007</u>
Total Revenues	<u>2,898,592</u>	<u>2,795,900</u>
Expenses		
Instruction	1,683,086	1,683,086
Support Services:		
General Administrative Services	329,721	320,986
Operations and Maintenance	200,561	193,729
Pupil Transportation Services	148,935	144,635
Extracurricular Services	7,240	6,979
Other Capital Outlays	133,167	84,657
Food Services	93,351	128,594
Interest on Long-Term Debt	10,727	14,396
Depreciation-Unallocated	<u>73,615</u>	<u>133,086</u>
Total Expenses	<u>2,817,128</u>	<u>2,710,148</u>
Increase (Decrease) in Net Assets	81,464	85,752

Property taxes constituted 23%, state aid 65% and other revenues made up the remaining 12% of the total revenues of the governmental activities of the district for the 2015 fiscal year. Instruction comprises 62% of the District's governmental expenses, while support services account for 38%.

General Fund Budgetary Highlights

Differences between the original and final amended budget were relatively minor. Revenues were increased by \$0, and expenses were reduced by \$0. During the year, however, revenues exceeded the final budgetary estimates by \$77,018 and expenditures were less than the final budgetary estimate by \$39,237.

LIDGERWOOD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Capital Asset and Debt administration

Capital Assets

As of June 30, 2015, the District had \$1,223,249 invested in capital assets. This investment includes land, buildings and improvements, equipment and vehicles, and construction in progress.

CAPITAL ASSETS (NET OF DEPRECIATION)

	2015	2014
Construction in progress		
Buildings and Improvements	979,654	1,011,824
Bus and equipment	<u>243,595</u>	<u>121,851</u>
Total	1,223,249	1,133,675

Long-Term Debt

At the end of the current fiscal year, the District had \$449,906 in outstanding debt. Of this amount, \$376,693 is long-term debt. The remaining \$73,213 is a current liability due within one year. The District decreased its existing debt obligation by \$67,892 from June 30, 2014.

OUTSTANDING GENERAL LONG-TERM DEBT

	2015	2014
Bonds Payable	144,152	181,644
Lease Payable	76,833	87,327
Q-ZAB Loan	60,000	70,000
School Construction Loan	<u>96,343</u>	<u>110,935</u>
Total	240,495	449,906

LIDGERWOOD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED

Economic Factors and Next Year's Budget:

New administrators, a full time high school principal and half time superintendent, were hired in July 2014.

A city wide reassessment in residential property values was imposed for the tax year 2014-2015. The Lidgerwood School District taxable valuation increased from 5,316,586 to 5,795,144, approximately 9 percent. An agriculture land reassessment will be imposed for tax year 2015-2015.

The state legislature 2014-2015 school funding formula increased per pupil payments dramatically. Legislative action also reduced the allowable mills for school district property tax to 60 mills for the general fund. Enrollment now plays an even more important role in school funding. The intent of the new formula is to shift more of the cost of education to the state and give property tax relief to the property owners.

Student enrollment has remained near 175 for the last four years. Projections show enrollment to hold at around 170 students for the next 3-4 years.

Improvements to the facility in 2014-2015 included installing security cameras, a new key card system for outside doors, new playground equipment, a divider curtain in the gym, a new phone and intercom system, and air conditioning for the elementary class rooms. The security system and new door locks were financed with a grant from ND Dept of Emergency Services. The district has reduced its long term debt to \$449,906.00.

Lidgerwood School District strives to finance quality education for its students as well as to maintain a salary and benefit package that will attract and retain quality staff. Careful planning and financial stewardship must be followed to ensure a stable school district for future years.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all their citizens, taxpayers, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Lidgerwood Public School District  
Janice Illies, Business Manager  
PO Box 468  
Lidgerwood, North Dakota 58053

LIDGERWOOD PUBLIC SCHOOL  
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS  
 JUNE 30, 2015

GOVERNMENTAL  
 ACTIVITIES

ASSETS

Cash and investments	828,262.68
Accounts receivable	
Taxes receivable	-
Intergovernmental receivable	-
Due from County Treasurer	
Capital assets (net of accumulated depreciation)	1,223,249.16
Total Assets	2,051,511.84

LIABILITIES

Accounts Payable	
Salaries and benefits payable	-
Deferred revenue	
Long-term liabilities:	
Due within one year:	
Bonds payable	62,578.17
Notes payable	-
Due after one year:	
Bonds payable	314,749.98
Notes payable	-
Total liabilities	377,328.15

NET POSITION

Net investment in capital assets	845,921.01
Restricted for:	
Capital projects	54,047.76
Debt service	42,201.71
Unrestricted	732,013.21
Total Net Position	1,674,183.69

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

LIDGERWOOD PUBLIC SCHOOL  
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues Charges for Services	Operating grants and Contributions	Net (expense) Revenue & Change in Net Position Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction</b>				
Regular	1,475,532.02	-	89,786.54	(1,385,745.48)
Special Education	235,544.28		-	(235,544.28)
Vocational Education	108,733.53		-	(108,733.53)
<b>Support Services</b>				
Administrative	329,721.50			(329,721.50)
Operation & maintenance	200,560.69			(200,560.69)
Pupil Transportation Services	148,935.17		100,769.63	(48,165.54)
Extracurricular	7,240.53			(7,240.53)
Food Service	133,166.73	62,176.92	63,961.01	(7,028.80)
Capital outlays	93,351.33		-	(93,351.33)
<b>Debt Service</b>				
Interest expense	10,726.89			(10,726.89)
Depreciation- Unallocated	73,615.48			(73,615.48)
<b>Total Governmental Activities</b>	<b>2,817,128.15</b>	<b>62,176.92</b>	<b>254,517.18</b>	<b>(2,500,434.05)</b>
<b>General Revenues</b>				
<b>Taxes:</b>				
Property taxes, levied for general purposes				607,471.05
Property taxes levied for debt service				61,239.68
Other tax revenue				
<b>State aid not restricted to specific program:</b>				
Per pupil aid				1,871,766.35
Mill levy reduction grant				-
Interest income and other revenue				42,266.10
<b>Total General Revenues</b>				<b>2,582,743.18</b>
<b>Change in Net Position</b>				<b>82,309.13</b>
<b>Net Position- July 1</b>				<b>1,591,874.56</b>
<b>Net Position- June 30</b>				<b>1,674,183.69</b>

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

LIDGERWOOD PUBLIC SCHOOL  
 BALANCE SHEET- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and investments	729,900.30	54,047.76	44,314.62	828,262.68
Accounts receivable				-
Taxes receivable	-	-	-	-
Intergovernmental receivable	-	-		-
Due from County Treasurer				-
<b>Total Assets</b>	<b>729,900.30</b>	<b>54,047.76</b>	<b>44,314.62</b>	<b>828,262.68</b>
<b>LIABILITIES</b>				
Accounts Payable	-			-
Salaries and benefits payable	-		-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Uncollected taxes	-	-	-	-
<b>Total liabilities and deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>				
Restricted for Capital Projects		54,047.76		54,047.76
Restricted for Debt Service			42,201.71	42,201.71
Restricted for General Purposes		-	2,112.91	2,112.91
Unassigned	729,900.30	-		729,900.30
<b>Total fund balance</b>	<b>729,900.30</b>	<b>54,047.76</b>	<b>44,314.62</b>	<b>828,262.68</b>
<b>Total liabilities, deferred inflows and fund</b>	<b>729,900.30</b>	<b>54,047.76</b>	<b>44,314.62</b>	<b>828,262.68</b>

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

LIDGERWOOD PUBLIC SCHOOL  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
 SHEET TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

Total Fund Balances for Governmental Funds	828,262.68
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

	5,240,025.60	
Cost of capital assets	4,016,776.44	
Less accumulated depreciation		
Net capital assets		1,223,249.16

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

-

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. All liabilities- both current and long-term are reported in the statement of net position. Balances at year end are:

		(204,151.84)
Bonds payable		
Notes payable		(173,176.31)

Total Net Position of Governmental Activities	1,674,183.69
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The accompanying notes are an integral part of these financial statements.

LIDGERWOOD PUBLIC SCHOOL  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	539,591.54	67,879.51	61,239.68	668,710.73
Other local sources	10,165.02	26,796.61	62,176.92	99,138.55
State sources	1,972,535.98	-	1,221.00	1,973,756.98
Federal sources	89,786.54	-	68,044.48	157,831.02
<b>Total Revenues</b>	<b>2,612,079.08</b>	<b>94,676.12</b>	<b>192,682.08</b>	<b>2,899,437.28</b>
<b>Current:</b>				
<b>Instruction</b>				
Regular	1,475,532.02			1,475,532.02
Special Education	235,544.28			235,544.28
Vocational Education	108,733.53			108,733.53
<b>Support Services</b>				
Administrative	329,721.50			329,721.50
Operation & maintenance	206,300.69			206,300.69
Pupil Transportation Services	236,835.17			236,835.17
Extracurricular	7,240.53			7,240.53
Other capital outlays		162,901.33		162,901.33
Food Service		-	133,166.73	133,166.73
<b>Debt Service</b>				
Principal				-
Interest expense		25,095.77	58,209.29	83,305.06
<b>Total Expenditures</b>	<b>2,599,907.72</b>	<b>187,997.10</b>	<b>191,376.02</b>	<b>2,979,280.84</b>
Excess revenues (expenditures)	12,171.36	(93,320.98)	1,306.06	(79,843.56)
<b>Other Financing Sources (Uses):</b>				
Transfers in		-	-	-
Transfers out	-			-
Debt proceeds		-		-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>12,171.36</b>	<b>(93,320.98)</b>	<b>1,306.06</b>	<b>(79,843.56)</b>
Fund balance- beginning	717,728.94	147,368.74	43,008.56	908,106.24
Fund balance- ending	729,900.30	54,047.76	44,314.62	828,262.68

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



LIDGERWOOD PUBLIC SCHOOL  
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances- Total Governmental Funds (79,843.56)

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

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

Current year capital outlay	163,190.00	
Current year depreciation expense	73,615.48	89,574.52

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net pos Bonds payable 72,578.17  
 -

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable. -

Change in Net Position of Governmental Activities 82,309.13

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

LIDGERWOOD PUBLIC SCHOOL  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2015

AGENCY  
FUNDS

ASSETS

Cash and investments	328,333.83
Accounts receivable	
Taxes receivable	
Intergovernmental receivable	
Due from County Treasurer	

Total Assets	328,333.83
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LIABILITIES

Accounts Payable	
Due to Student Groups	328,333.83
Deferred revenue	-

Total liabilities	328,333.83
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NET POSITION

Total Net Position	-
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The accompanying notes are an integral part of these financial statements.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
LIDGERWOOD, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LIDGERWOOD Public School District (District) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the District. The district has considered all potential component units for which the district is financially accountable and other organizations for which the nature and significance of their relationships with the district such that exclusion would cause the district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the district to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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

Fund Financial Statements: The fund financial statements provide information about the district's funds including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds

Building fund. The Building fund is used to account for building construction and repairs.

The district reports the other following fund types:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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

#### D. Budgets

Based upon available financial information and requests by the school board, the superintendent and business manager prepares the school district budget. The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Temporary or Wood Structures	20
Vehicles	10
Equipment	10

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

G. 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 assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

H. Fund Balance

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 removes 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.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

**Assigned** - This classification reflects the amounts constrained by the District's "intent" to be used for specific 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.

The school board has not set a General Fund minimum fund balance.

I. Interfund Transactions

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

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

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

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.



LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board did not amend the District budget for the year.

EXPENDITURES OVER APPROPRIATIONS

The school district did not overspend the budget for any individual funds. No remedial action is required by the district.

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any District, District, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At June 30, 2015, the District's carrying amount of deposits was \$1,286,119. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$786,119 was collateralized with securities held by the pledging financial institution's agent in the government's name.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

Credit Risk

State statutes authorize the District to invest in:(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.(2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

Concentration of Credit Risk

The District does not have a limit on the amount it may invest in any one issuer.

NOTE 4: PROPERTY TAXES

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

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

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

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

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, being Depreciated Bldgs and Improvements	4,834,516			4,834,516
Vehicles & Equipment	510,220	92,500		510,220
Total Cap Assets Being Depreciated	5,341,736	92,500		5,341,736
Less accumulated depreciation for:				
Buildings & Imp	3,822,692	104,021		3,822,692
Vehicles & Equip	385,369	29,065		385,369
Total Accumulated Dep	4,208,061	133,086		4,208,061
Total Capital Assets Being Dep, Net	1,133,675			1,133,675

Depreciation Expense was charged to function/programs of the district as follows:

Governmental Activities:	
Unallocated	133,086

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended June 30, 2015, the following changes occurred in liabilities reported in long-term debt:

	Payable 2014	Increases	Decreases	Payable 2015	Due Within One Year
Bonds Payable	181,644		37,492	144,152	37,492
Q-ZAB Note	70,000		10,000	60,000	10,000
Lease Payable	87,327		10,494	76,833	8,881
School Const	110,935		14,592	96,343	14,592
Total	449,906		67,892	449,906	

Debt payable at June 30, 2015, is comprised of the following individual issues:

General Obligation School Building Bonds of 2014 due in annual installments of \$15,000 to 40,000 plus interest at 3.00 to 4.75% through May 2019	144,152
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School Construction Building Bonds of 2012 due in annual installments of \$17,631 including interest at 2.74% through May 2021	96,343
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LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

The annual long-term debt service requirements for bonds payable, as of June 30, 2015, are as follows:

Year Ending June 30	GOVERNMENTAL ACTIVITIES Long-Term Debt	
	Principal	Interest
2016	51,379	5,037
2017	50,743	4,081
2018	50,068	3,093
2019	54,439	2,061
2015	16,704	928
2020-2021	17,161	1,398
TOTAL	240,495	15,671

The District has a Qzab lease with Lincoln State. The lease proceeds were used to make repairs to the school building. The lease is interest free. The District is required to make annual principal payments of \$10,000 until July 2021.

Lease payable

The District is obligated to the following capital lease agreements:

at June 30, 2015 are shown below:

2015	15,095
2016	15,095
2017	15,095
2018	15,095
2019	15,095
Thereafter	30,190
	105,665
Less amount representing interest	18,338
Principal balance remaining	87,327

NOTE 7: PENSION PLANS

General Information about the Pension Plan

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 in

LIDGERWOOD PUBLIC SCHOOL DISTRICT

Notes to Financial Statements- Continued vestment income and contributions.

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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 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 50 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 65, 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.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary 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 70  $\frac{1}{2}$ . 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 Expense Related to Pensions

For the year ended June 30, 2015, the Employer recognized pension expense of \$222,369.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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

Inflation	3.00%
Salary increases service, productivity	4.50% to 14.75%, varying by including inflation and
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for TFFR.

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

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



LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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

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

NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM (NDPERS)

The District participates in the North Dakota Public Employees Retirement System (NDPERS) - 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.

A. DESCRIPTION OF PENSION PLAN

NDPERS is a cost-sharing multiple-employer defined benefits 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.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

B. 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 of (65). 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.

C. 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, lifetime monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in 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.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

D. 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.

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

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

E. MEMBER AND EMPLOYER CONTRIBUTIONS

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

F. PENSION EXPENSE RELATED TO PENSIONS

\$41,756 reported as expense related to pensions resulting from Employer contributions for the year ended June 30, 2015.

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

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS. 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%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash equivalents	1%	0.00%

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
Notes to Financial Statements- Continued

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

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

NOTE 8: RISK MANAGEMENT

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

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

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The district has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

LIDGERWOOD PUBLIC SCHOOL  
 BUDGETARY COMPARISON SCHEDULE- GENERAL FUND  
 YEAR ENDED JUNE 30, 2015

	ORIGINAL/ FINAL BUDGET	ACTUAL	VARIANCE
Property taxes	560,441.88	539,591.54	(20,850.34)
Other local sources	8,120.00	10,165.02	2,045.02
State sources	1,885,630.00	1,972,535.98	86,905.98
Federal sources	80,869.00	89,786.54	8,917.54
<b>Total Revenues</b>	<b>2,535,060.88</b>	<b>2,612,079.08</b>	<b>77,018.20</b>
<b>Current:</b>			
Instruction			
Regular	1,474,627.07	1,475,532.02	(904.95)
Special Education	199,705.00	235,544.28	(35,839.28)
Vocational Education	111,620.00	108,733.53	2,886.47
Support Services			
Administrative	359,047.00	329,721.50	29,325.50
Operation & maintenance	209,639.00	206,300.69	3,338.31
Pupil Transportation Services	197,945.00	236,835.17	(38,890.17)
Extracurricular	8,088.00	7,240.53	847.47
Other capital outlays		-	-
Food Service		-	-
Debt Service		-	-
Principal		-	-
Interest expense		-	-
			-
<b>Total Expenditures</b>	<b>2,560,671.07</b>	<b>2,599,907.72</b>	<b>(39,236.65)</b>
Excess revenues (expenditures)	(25,610.19)	12,171.36	37,781.55
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Debt proceeds	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(25,610.19)	12,171.36	37,781.55
Fund balance- beginning	717,728.94	717,728.94	-
Fund balance- ending	692,118.75	729,900.30	37,781.55

Note 1. Budgets are prepared on the same basis and using the same accounting practices as are used to account and pre financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with the modified cash basis. All appropriations lapse at year end. Encumbrance accounting is not utilized by the District. The budget is adopted through formal approval by the Board. Any revisions to the budget must be approved by the Board.

LIDGERWOOD PUBLIC SCHOOL  
 INCOME STATEMENT  
 JUNE 30, 2015

	GENERAL	FOOD SERVICE	BUILDING	DEBT SVC	2015	2014
<b>REVENUES</b>						
TAXES	539,591.54		67,879.51	61,239.68	668,710.73	631,414.32
OTHER LOCAL	10,165.02	62,176.92	26,796.61	-	99,138.55	108,822.70
STATE	1,972,535.98	1,221.00			1,973,756.98	1,912,686.21
FEDERAL	89,786.54	68,044.48			157,831.02	140,870.23
<b>TOTAL REV</b>	<b>2,612,079.08</b>	<b>131,442.40</b>	<b>94,676.12</b>	<b>61,239.68</b>	<b>2,899,437.28</b>	<b>2,793,793.46</b>
<b>EXPENSES</b>						
INSTRUCTION	1,584,265.54				1,584,265.54	1,498,878.44
SPECIAL EDUCATI	235,544.28				235,544.28	184,207.55
ADMINISTRATION	329,721.50				329,721.50	320,985.71
PLANT	206,300.69				206,300.69	193,729.38
TRANSPORTATION	236,835.17				236,835.17	144,635.40
EXTRACURRICUL	7,240.53				7,240.53	6,978.57
FOOD SERVICE		133,166.73			133,166.73	128,593.54
CAPITAL OUTLAY			162,901.33		162,901.33	167,157.36
DEBT SERVICE			25,095.77	58,209.29	83,305.06	82,288.00
<b>TOTAL EXP</b>	<b>2,599,907.71</b>	<b>133,166.73</b>	<b>187,997.10</b>	<b>58,209.29</b>	<b>2,979,280.83</b>	<b>2,727,453.95</b>
EXCESS REV (EXP)	12,171.37	(1,724.33)	(93,320.98)	3,030.39	(79,843.55)	66,339.51
TRANSFERS IN		-			-	-
TRANSFERS OUT	-				-	-
DEBT PROCEEDS				-	-	-
EXCESS REV (EXP)	12,171.37	(1,724.33)	(93,320.98)	3,030.39	(79,843.55)	66,339.51
FUND BAL- BEG	717,728.97	3,837.24	147,368.74	39,171.32	908,106.27	841,766.76
FUND BAL- END	729,900.34	2,112.91	54,047.76	42,201.71	828,262.72	908,106.27

LIDGERWOOD PUBLIC SCHOOL DISTRICT

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JUNE 30, 2015



LIDGERWOOD PUBLIC SCHOOL DISTRICT  
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# Harold J. Rotunda

## Certified Public Accountant

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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*

### Independent Auditor's Report

School Board  
Lidgerwood Public School District  
Lidgerwood, North Dakota

I 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 Lidgerwood Public School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated November 5, 2015.

#### **Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2015-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lidgerwood Public School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### **District's Response to Findings**

Lidgerwood Public School District's response to the finding identified in my audit is described in the accompanying schedule of findings. Lidgerwood Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Harold Rotunda, CPA  
November 5, 2015

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	_X_	No
Significant deficiencies identified not Considered to be material weaknesses	_X_	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	_X_	No

Section II- Financial Statement Findings

Finding No. 2015-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

LIDGERWOOD PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015

Recommendation

While I recognize that the District office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the District.

Client Response

At the present time, the District has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.