

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**MANVEL, NORTH DAKOTA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

## TABLE OF CONTENTS

	PAGE
ROSTER OF SCHOOL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS	
2015	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet - Governmental Funds	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Funds Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Net Position - Fiduciary Funds	11
2014	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position - Fiduciary Funds	18
Notes to Financial Statements	19

## **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule for the General Fund - 2015	44
Budgetary Comparison Schedule for the General Fund - 2014	45
Note to Budgetary Comparison Schedule for the General Fund	46
Schedule of District's Contributions to the TFFR and NDPERS Pension Plans	47
Schedule of District's Proportionate Share of Net Pension Liability	48

## **SUPPLEMENTARY INFORMATION**

### **2015**

Balance Sheet - Non-Major Governmental Funds	49
Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	50

### **2014**

Balance Sheet - Non-Major Governmental Funds	51
Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	52

## **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**

Schedule of Findings and Responses	53
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MANVEL PUBLIC SCHOOL DISTRICT NO. 125  
ROSTER OF SCHOOL OFFICIALS  
JUNE 30, 2015

Kathy Langowski	President
Tom Ferry	Vice President
Sally Dockter	Board Member
Kim Thibert	Board Member
Jen Harrison	Board Member
Richard Ray	Administrator
Mary Sorvig	Principal

\* \* \* \* \*



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Manvel Public School District No. 125  
Manvel, North Dakota

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Manvel Public School District No. 125, which comprise the governmental activities, each major fund, and the aggregate remaining fund information as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits 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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Manvel Public School District No. 125, as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### **Adoption of New Accounting Standard**

As described in Note 13 to the financial statements, during the fiscal year ended June 30, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 13 to the financial statements, the District has restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the District's Contributions to the TFFR and NDPERS Pension Plans, and the schedule of District's proportionate share of net pension liability as listed in the table of contents 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.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The non-major fund statements, listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015 on our consideration of the District'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 the District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

December 17, 2015

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2015**

<b>ASSETS</b>	
Cash	\$ 569,487
Property Taxes Receivable	45,816
Accounts Receivable	<u>71,152</u>
Total Current Assets	<u>686,455</u>
Capital Assets	
Land	70,500
Buildings	2,270,069
Equipment	178,976
Vehicles	325,562
Less Accumulated Depreciation	<u>(1,614,972)</u>
Total Capital Assets, Net of Depreciation	<u>1,230,135</u>
<b>TOTAL ASSETS</b>	<u><b>1,916,590</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	104,299
Cost Sharing Defined Benefit Pension Plan - NDPERS	<u>16,147</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>120,446</b></u>
<b>CURRENT LIABILITIES</b>	
Accrued Liabilities	6,376
Special Assessments Payable	<u>650</u>
Total Current Liabilities	<u><b>7,026</b></u>
<b>LONG-TERM LIABILITIES</b>	
Special Assessments Payable	667
Compensated Absences	7,874
Net Pension Liability	<u>1,437,346</u>
Total Long-Term Liabilities	<u><b>1,445,887</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>1,452,913</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	150,651
Cost Sharing Defined Benefit Pension Plan - NDPERS	<u>21,711</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>172,362</b></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,230,135
Restricted For:	
Capital Projects	82,184
Food Service	167
Unrestricted	<u>(900,726)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 411,760</b></u>

See the Accompanying Notes to the Basic Financial Statements



**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 97,743	\$ -	\$ -	\$ (97,743)
Instructional Support Services	19,909	-	-	(19,909)
Administration	109,922	-	-	(109,922)
Operations and Maintenance	82,314	-	-	(82,314)
Transportation	204,019	-	-	(204,019)
Regular Instruction	967,689	-	175,076	(792,613)
Special Education	22,137	-	-	(22,137)
Extra-Curricular Activities	3,347	-	-	(3,347)
Food Services	74,434	41,926	24,289	(8,219)
Interest	50	-	-	(50)
Tuition	406,240	-	-	(406,240)
Community Service	39,017	-	-	(39,017)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 2,026,821</u>	<u>\$ 41,926</u>	<u>\$ 199,365</u>	<u>(1,785,530)</u>
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				582,566
Property Taxes, Levied for Capital Projects				42,703
Aids and Payments from the State				1,184,488
Unrestricted Investment Earnings				933
Other Revenue				24,173
TOTAL GENERAL REVENUES				<u>1,834,863</u>
Change in Net Position				<u>49,333</u>
Net Position - Beginning				1,866,834
GASB 68 & 71 Adjustment - See Note 13				<u>(1,504,407)</u>
Net Position - Beginning As Restated				<u>362,427</u>
Net Position - Ending				\$ 411,760

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 490,219	\$ 79,268	\$ -	\$ 569,487
Property Taxes Receivable	42,900	2,916	-	45,816
Accounts Receivable	70,408	-	744	71,152
Due from Other Funds	<u>577</u>	<u>-</u>	<u>-</u>	<u>577</u>
<b>TOTAL ASSETS</b>	<u>\$ 604,103</u>	<u>\$ 82,184</u>	<u>\$ 744</u>	<u>\$ 687,031</u>
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ -	\$ 577	\$ 577
Accrued Liabilities	<u>6,376</u>	<u>-</u>	<u>-</u>	<u>6,376</u>
<b>TOTAL LIABILITIES</b>	<u>6,376</u>	<u>-</u>	<u>577</u>	<u>6,953</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Uncollected Taxes	<u>11,559</u>	<u>1,304</u>	<u>-</u>	<u>12,863</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>11,559</u>	<u>1,304</u>	<u>-</u>	<u>12,863</u>
<b>FUND BALANCES</b>				
Restricted for Capital Projects	-	80,880	-	80,880
Restricted for Food Service	-	-	167	167
Unassigned	<u>586,169</u>	<u>-</u>	<u>-</u>	<u>586,169</u>
<b>TOTAL FUND BALANCES</b>	<u>586,169</u>	<u>80,880</u>	<u>167</u>	<u>667,216</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 604,104</u>	<u>\$ 82,184</u>	<u>\$ 744</u>	<u>\$ 687,032</u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2015**

Total fund balances - governmental funds	\$ 667,216
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:	
Cost of capital assets	\$ 2,845,107
Less: Accumulated depreciation	<u>(1,614,972)</u>
Net	1,230,135
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	12,863
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plan in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.	(51,916)
Long-term liabilities, including special assessments, are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.	
Special Assessments Payable	(1,317)
Compensated Absences	(7,874)
Net Pension Liability	<u>(1,437,346)</u>
Net Position - Governmental Activities	<u>\$ 411,760</u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Projects Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Property Tax Levies	\$ 583,241	\$ 41,555	\$ -	\$ 624,796
Revenue From State Sources	1,184,488	-	844	1,185,332
Revenue From Federal Sources	175,076	-	23,445	198,521
Other	25,106	-	41,926	67,032
<b>TOTAL REVENUES</b>	<u>1,967,911</u>	<u>41,555</u>	<u>66,215</u>	<u>2,075,681</u>
<b>EXPENDITURES</b>				
Current:				
Business Support Services	97,743	-	-	97,743
Instructional Support Services	19,909	-	-	19,909
Administration	109,922	-	-	109,922
Operations and Maintenance	79,744	2,570	-	82,314
Transportation	187,393	-	-	187,393
Regular Instruction	926,773	-	-	926,773
Special Education	22,137	-	-	22,137
Tuition	406,240	-	-	406,240
Community Service	39,017	-	-	39,017
Extra - Curricular Activities	3,347	-	-	3,347
Food Services	-	-	74,434	74,434
Capital Outlay:				
Capital Outlay	27,806	-	-	27,806
Debt Service:				
Principal	-	635	-	635
Interest	-	50	-	50
<b>TOTAL EXPENDITURES</b>	<u>1,920,031</u>	<u>3,255</u>	<u>74,434</u>	<u>1,997,720</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>47,880</u>	<u>38,300</u>	<u>(8,219)</u>	<u>77,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(8,219)	-	-	(8,219)
Transfers In	-	-	8,219	8,219
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(8,219)</u>	<u>-</u>	<u>8,219</u>	<u>-</u>
Net Change in Fund Balance	39,661	38,300	-	77,961
Fund Balance - Beginning of Year	546,508	42,580	167	589,255
Fund Balance - End of Year	<u>\$ 586,169</u>	<u>\$ 80,880</u>	<u>\$ 167</u>	<u>\$ 667,216</u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**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, 2015**

Net change in fund balance - governmental funds \$ 77,961

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlay	\$	27,806
Depreciation Expense		<u>(72,453)</u>

Excess capital outlay over depreciation	(44,647)
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.  
 Repayment of Special Assessments

635

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the increase in compensated absences.

(233)

Changes in deferred outflows and inflows of resources related to net pension liability

(141,150)

Change in net pension liability

156,295

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds.  
 These revenues consist of:

Net change in unavailable property taxes

473

Net change in net position - governmental activities

\$ 49,333

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2015**

<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 59,283</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 59,283</b></u>
 <b>LIABILITIES</b>	
Due to Student Groups	<u>\$ 59,283</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 59,283</b></u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2014**

<b>ASSETS</b>	
Cash	\$ 535,180
Property Taxes Receivable	32,696
Accounts Receivable	45,459
Total Current Assets	<u>613,335</u>
Capital Assets	
Land	70,500
Buildings	2,270,069
Equipment	178,976
Vehicles	316,214
Less Accumulated Depreciation	<u>(1,560,977)</u>
Total Capital Assets, Net of Depreciation	<u>1,274,782</u>
<b>TOTAL ASSETS</b>	<u><b>1,888,117</b></u>
<b>CURRENT LIABILITIES</b>	
Accrued Liabilities	11,690
Special Assessments Payable	635
Total Current Liabilities	<u>12,325</u>
<b>LONG-TERM LIABILITIES</b>	
Special Assessments Payable	1,317
Compensated Absences	7,641
Total Long-Term Liabilities	<u>8,958</u>
<b>TOTAL LIABILITIES</b>	<u><b>21,283</b></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,274,782
Restricted For:	
Capital Projects	42,736
Food Service	167
Unrestricted	<u>549,149</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 1,866,834</b></u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Business Support Services	\$ 91,379	\$ -	\$ -	\$ (91,379)
Instructional Support Services	19,587	-	-	(19,587)
Administration	97,616	-	-	(97,616)
Operations and Maintenance	106,906	-	-	(106,906)
Transportation	181,738	-	-	(181,738)
Regular Instruction	927,205	-	174,247	(752,958)
Special Education	42,703	-	-	(42,703)
Extra-Curricular Activities	11,975	-	-	(11,975)
Food Services	69,337	37,825	21,085	(10,427)
Interest	64	-	-	(64)
Tuition	386,543	-	-	(386,543)
Community Service	38,243	-	-	(38,243)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,973,296</b>	<b>\$ 37,825</b>	<b>\$ 195,332</b>	<b>(1,740,139)</b>
<b>GENERAL REVENUES</b>				
Property Taxes, Levied for General Purposes				564,687
Property Taxes, Levied for Capital Projects				2,489
Aids and Payments from the State				957,383
Unrestricted Investment Earnings				865
Other Revenue				68,003
<b>TOTAL GENERAL REVENUES</b>				<b>1,593,427</b>
Change in Net Position				(146,712)
Net Position - Beginning				2,013,546
Net Position - Ending				<u>\$ 1,866,834</u>

See the Accompanying Notes to the Basic Financial Statements



**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2014**

	General Fund	Capital Projects Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 493,739	\$ 41,441	\$ -	\$ 535,180
Property Taxes Receivable	31,401	1,295	-	32,696
Accounts Receivable	43,693	-	1,766	45,459
Due from Other Funds	1,599	-	-	1,599
<b>TOTAL ASSETS</b>	<u>\$ 570,432</u>	<u>\$ 42,736</u>	<u>\$ 1,766</u>	<u>\$ 614,934</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ -	\$ 1,599	\$ 1,599
Accrued Liabilities	11,690	-	-	11,690
<b>TOTAL LIABILITIES</b>	<u>11,690</u>	<u>-</u>	<u>1,599</u>	<u>13,289</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Uncollected Taxes	12,234	156	-	12,390
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>12,234</u>	<u>156</u>	<u>-</u>	<u>12,390</u>
<b>FUND BALANCES</b>				
Restricted for Capital Projects	-	42,580	-	42,580
Restricted for Food Service			167	167
Unassigned	546,508	-	-	546,508
<b>TOTAL FUND BALANCES</b>	<u>546,508</u>	<u>42,580</u>	<u>167</u>	<u>589,255</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 570,432</u>	<u>\$ 42,736</u>	<u>\$ 1,766</u>	<u>\$ 614,934</u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2014**

Total fund balances - governmental funds	\$ 589,255
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:

Cost of capital assets	\$ 2,835,759	
Less: Accumulated depreciation	<u>(1,560,977)</u>	
Net		1,274,782

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	12,390
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Long-term liabilities, including special assessments, are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.

Special Assessments Payable	(1,952)	
Compensated Absences	<u>(7,641)</u>	

Net Position - Governmental Activities	<u>\$ 1,866,834</u>
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**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES- GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Capital Projects Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Property Tax Levies	\$ 606,482	\$ 7,130	\$ -	\$ 613,612
Revenue From State Sources	957,383	-	246	957,629
Revenue From Federal Sources	174,247	-	20,839	195,086
Other	68,868	-	37,825	106,693
<b>TOTAL REVENUES</b>	<u>1,806,980</u>	<u>7,130</u>	<u>58,910</u>	<u>1,873,020</u>
<b>EXPENDITURES</b>				
Current:				
Business Support Services	91,379	-	-	91,379
Instructional Support Services	19,587	-	-	19,587
Administration	97,616	-	-	97,616
Operations and Maintenance	100,719	6,187	-	106,906
Transportation	160,941	-	-	160,941
Regular Instruction	869,208	-	-	869,208
Special Education	42,703	-	-	42,703
Tuition	386,543	-	-	386,543
Community Service	38,243	-	-	38,243
Extra - Curricular Activities	11,975	-	-	11,975
Food Services	-	-	69,337	69,337
Capital Outlay:				
Capital Outlay	7,823	-	-	7,823
Debt Service:				
Principal	-	621	-	621
Interest	-	64	-	64
<b>TOTAL EXPENDITURES</b>	<u>1,826,737</u>	<u>6,872</u>	<u>69,337</u>	<u>1,902,946</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(19,757)</u>	<u>258</u>	<u>(10,427)</u>	<u>(29,926)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(10,427)	-	-	(10,427)
Transfers In	-	-	10,427	10,427
<b>TOTAL OTHER FINANCIAL SOURCES (USES)</b>	<u>(10,427)</u>	<u>-</u>	<u>10,427</u>	<u>-</u>
Net Change in Fund Balance	(30,184)	258	-	(29,926)
Fund Balance - Beginning of Year	576,692	42,322	167	619,181
Fund Balance - End of Year	<u>\$ 546,508</u>	<u>\$ 42,580</u>	<u>\$ 167</u>	<u>\$ 589,255</u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**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, 2014**

Net change in fund balance - governmental funds \$ (29,926)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlay	\$	7,823
Depreciation Expense		<u>(71,625)</u>

Excess capital outlay over depreciation	(63,802)
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Loss on disposal	(4,803)
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Payment of the following costs is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net position.

Repayment of Special Assessments	621
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the increase in compensated absences. (2,366)

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the governmental funds. These revenues consist of:

Net change in unavailable property taxes	<u>(46,436)</u>
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Net change in net position - governmental activities	<u>\$ (146,712)</u>
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**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2014**

<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 53,980</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 53,980</b></u>
 <b>LIABILITIES</b>	
Due to Student Groups	<u>\$ 53,980</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 53,980</b></u>

See the Accompanying Notes to the Basic Financial Statements

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2015 AND 2014**

**NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Manvel Public School District operates the public school for the City of Manvel.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Basis of Presentation***

The District's basic financial statements consist of government-wide statements and fund financial statements.

**Government-Wide Financial Statements:**

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues, are presented as general revenues of the District.

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

The government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**Fund Financial Statements:**

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

***Fund Accounting:***

The District's funds consist of the following:

**Governmental Funds:**

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Funds balance represents the difference between the governmental fund assets, deferred outflows of resources, deferred inflows of resources, and liabilities. The District's major governmental funds are as follows:

General Fund:

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

Capital Projects Fund:

This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovation of existing facilities.

Non-major governmental funds are as follows:

Food Service Fund:

This fund is used to account for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

**Fiduciary Funds:**

The reporting focus of fiduciary funds is on net position and changes in net position. The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

Student Activity Fund:

The fund accounts for the financial transactions related to the District's student activity programs.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

***Measurement Focus and Basis of Accounting***

**Measurement Focus:**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows of resources, deferred outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

*Fund Financial Statements:*

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner, which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

**Basis of Accounting:**

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

**Revenues-Exchange and Non-Exchange Transactions:**

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.



**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

**Unearned Revenues:**

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenues.

On the governmental fund financial statements, receivables that will also not be collected during the availability period have been reported as deferred revenue.

**Expenses and Expenditures:**

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

**Budgets and Budgetary Accounting:**

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. 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. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15<sup>th</sup> of each year. The budget is then filed with the county auditor by August 25<sup>th</sup> of each year.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10<sup>th</sup> of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

**Cash and Cash Equivalents:**

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Investments:**

Investments are recorded at market value. North Dakota State statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

**Capital Assets:**

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

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

Buildings and Improvements	25 to 75 Years
Equipment and Fixtures	20 Years
Vehicles	20 Years

**Compensated Absences:**

Upon termination, an employee will be paid for any unused sick days in excess of 75 days, at a rate of \$15 per day, and for unused personal and vacation days at their regular rate of pay at the time of termination. At June 30, 2015 and 2014, the accrued severance liabilities were \$7,874 and \$7,641, respectively.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**Accrued Liabilities and Long-term Obligations:**

All payables and long-term obligations are reported in the District's government-wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

**Pensions:**

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

**Fund Balance Classifications:**

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.

*Committed* – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.

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

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

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS and TFFR pension plans as well as contributions to the plans made after the measurement date.

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – uncollected taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans.

**Inter-fund Activity:**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the district's governmental activities and its business-type activities, are eliminated in the statement of activities.

**Estimates:**

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

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**Revenue Recognition - Property Taxes:**

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2015.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half-of-the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government - wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

**Significant Group Concentrations of Credit Risk:**

As of June 30, 2015, the District's receivables consist of amounts due from other governmental units within the State of North Dakota and Grand Forks and Walsh Counties.

**NOTE 3 CASH AND INVESTMENTS**

Custodial Credit Risk - Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2015, the carrying amount of the District's deposits was \$628,770 and the bank balance was \$699,036. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

At June 30, 2014, the carrying amount of the District's deposits was \$589,160 and the bank balance was \$647,783. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

Interest income on cash and investments was \$933 and \$865 for the years ended June 30, 2015 and 2014, respectively.

Credit Risk

The District may also invest idle funds as authorized by North Dakota laws, as follows:

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

Interest Rate Risk

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk – Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**NOTE 4 CAPITAL ASSETS**

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

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 70,500	\$ -	\$ -	\$ 70,500
Total Capital Assets Not Being Depreciated	<u>70,500</u>	<u>-</u>	<u>-</u>	<u>70,500</u>
Capital Assets Being Depreciated				
Buildings	2,270,069	-	-	2,270,069
Equipment	178,976	-	-	178,976
Vehicles	316,214	27,806	(18,458)	325,562
Total Capital Assets Being Depreciated	<u>2,765,259</u>	<u>27,806</u>	<u>(18,458)</u>	<u>2,774,607</u>
Less Accumulated Depreciation				
Buildings	1,335,608	33,879	-	1,369,487
Equipment	91,164	21,948	-	113,112
Vehicles	134,205	16,626	(18,458)	132,373
Total Accumulated Depreciation	<u>1,560,977</u>	<u>72,453</u>	<u>(18,458)</u>	<u>1,614,972</u>
Net Capital Assets Being Depreciated	<u>1,204,282</u>	<u>(44,647)</u>	<u>-</u>	<u>1,159,635</u>
Net Capital Assets for Governmental Activities	<u>\$ 1,274,782</u>	<u>\$ (44,647)</u>	<u>\$ -</u>	<u>\$ 1,230,135</u>

In the governmental activities section of the statement of activities for the year ended June 30, 2015, depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 55,827
Transportation	<u>16,626</u>
	<u>\$ 72,453</u>

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

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

	Balance July 1, 2013	Additions	Disposals	Transfers	Balance June 30, 2014
<b>Governmental Activities</b>					
Capital Assets Not Being Depreciated					
Land	\$ 70,500	\$ -	\$ -	\$ -	\$ 70,500
Total Capital Assets Not Being Depreciated	<u>70,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,500</u>
Capital Assets Being Depreciated					
Buildings	2,270,069	-	-	-	2,270,069
Equipment	171,153	7,823	-	-	178,976
Vehicles	357,901	-	(41,687)	-	316,214
Total Capital Assets Being Depreciated	<u>2,799,123</u>	<u>7,823</u>	<u>(41,687)</u>	<u>-</u>	<u>2,765,259</u>
Less Accumulated Depreciation					
Buildings	1,301,729	33,879	-	-	1,335,608
Equipment	69,412	21,752	-	-	91,164
Vehicles	155,095	15,994	(36,884)	-	134,205
Total Accumulated Depreciation	<u>1,526,236</u>	<u>71,625</u>	<u>(36,884)</u>	<u>-</u>	<u>1,560,977</u>
Net Capital Assets Being Depreciated	<u>1,272,887</u>	<u>(63,802)</u>	<u>(4,803)</u>	<u>-</u>	<u>1,204,282</u>
Net Capital Assets for Governmental Activities	<u>\$ 1,343,387</u>	<u>\$ (63,802)</u>	<u>\$ (4,803)</u>	<u>\$ -</u>	<u>\$ 1,274,782</u>

In the governmental activities section of the statement of activities for the year ended June 30, 2014, depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 55,631
Transportation	<u>15,994</u>
	<u>\$ 71,625</u>



**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**NOTE 5 LONG-TERM DEBT**

Long-term debt consists of special assessments that have been assessed on school owned property and compensated absences liabilities.

A summary of long-term debt as of June 30, 2015, is as follows

Title	6/30/2014 As Restated	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Special Assessments Payable	\$ 1,952	\$ -	\$ (635)	\$ 1,317	\$ 650
Compensated Absences	7,641	8,499	(8,266)	7,874	-
Net Pension Liability	1,593,641	444,851	(601,146)	1,437,346	-
Totals	<u>\$ 1,603,234</u>	<u>\$ 453,350</u>	<u>\$ (610,047)</u>	<u>\$ 1,446,537</u>	<u>\$ 650</u>

A summary of long-term debt as of June 30, 2014, is as follows:

Title	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
Special Assessments Payable	\$ 2,573	\$ -	\$ (621)	\$ 1,952	\$ 635
Compensated Absences	5,275	8,166	(5,800)	7,641	-
Totals	<u>\$ 7,848</u>	<u>\$ 8,166</u>	<u>\$ (6,421)</u>	<u>\$ 9,593</u>	<u>\$ 635</u>

The annual requirements to amortize the special assessments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 650	\$ 34	\$ 684
2017	667	17	684
	<u>\$ 1,317</u>	<u>\$ 51</u>	<u>\$ 1,368</u>

The annual requirements to amortize the special assessments as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 635	\$ 49	\$ 684
2016	650	34	684
2017	667	17	684
	<u>\$ 1,952</u>	<u>\$ 100</u>	<u>\$ 2,052</u>

Compensated absences and the net pension liability are generally liquidated by the District's general fund.

At June 30, 2015 and 2014, rental commitments under operating leases were not significant.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**NOTE 6 FUND BALANCE**

**A. Classifications**

At June 30, 2015, a summary of the governmental fund balance classifications are as follows:

	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Restricted For:			
Capital Projects	\$ 80,880	\$ -	\$ 80,880
Food Service	<u>-</u>	<u>167</u>	<u>167</u>
Total Restricted	<u>\$ 80,880</u>	<u>\$ 167</u>	<u>\$ 81,047</u>

At June 30, 2014, a summary of the governmental fund balance classifications are as follows:

	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Restricted For:			
Capital Projects	\$ 42,580	\$ -	\$ 42,580
Food Service	<u>-</u>	<u>167</u>	<u>167</u>
Total Restricted	<u>\$ 42,580</u>	<u>\$ 167</u>	<u>\$ 42,747</u>

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2015 and 2014, there were the following accounts:

*Restricted for Capital Projects:*

This account represents funds held by the School District available to pay for capital projects.

*Restricted for Food Service:*

This account represents funds held by the School District available to pay for the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

**B. Minimum Fund Balance Policy**

The Board of Education has not formally adopted a fund balance policy for the General Fund, however, the Board tries to maintain a year-end target fund balance of 25% for cash flow timing needs (working capital) and contingencies.

**NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

Substantially, all employees of the District are required by state law to belong to pension plans administered by the Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**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.

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

***Tier 1 Non-grandfathered***

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**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.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

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 Costs**

At June 30, 2015, the District reported a liability of \$1,326,124 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2014, the Employer's proportion was 0.126560 percent.

For the year ended June 30, 2015, the Employer recognized pension expense of \$80,611. At June 30, 2015, the Employer 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 economic experience	\$ 10,140	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	150,651
Changes in proportion	-	-
Contributions paid to TFFR subsequent to the measurement date	94,159	-
Total	\$ 104,299	\$ 150,651

\$94,159 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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

Year ending June 30:	Pension Expense Amount
2016	\$ 35,973
2017	35,973
2018	35,973
2019	35,973
2020	(1,690)
Thereafter	(1,690)

**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:

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

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

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equities	57.00%	7.53%
Global Fixed Income	22.00%	1.40%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

#### **Discount Rate**

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

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
School's proportionate share of the TFFR net pension liability:	\$ 1,790,514	\$ 1,326,124	\$ 935,559

**Pension Plan Fiduciary Net Position**

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

***For the fiscal year ended June 30, 2014 only:***

For the year ended June 30, 2014, plan members are required to contribute 9.75% of their annual covered salary and the School District is required to contribute 10.75% of the teacher's salary. The contribution requirements of plan members and the School District are established and may be amended by the State Legislature. The School District's contributions to TFFR for the fiscal years ended June 30, 2014 and 2013 and 2012 were \$78,918, \$76,062 and \$61,574, respectively.

**North Dakota Public Employees' Retirement System**

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

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

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

**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). 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.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

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.

**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

**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.



**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

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

At June 30, 2015, the District reported a liability of \$111,222 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014, the District's proportion was 0.017523 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$11,005. At June 30, 2015, 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 economic experience	\$ 3,606	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	21,711
Changes in proportion	-	-
Contributions paid to NDPERS subsequent to the measurement date	12,541	-
Total	\$ 16,147	\$ 21,711

\$12,541 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 ending June 30, 2016.

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

Year ending June 30:	Pension Expense Amount
2016	\$ 4,661
2017	4,661
2018	4,661
2019	4,661
2020	(537)
Thereafter	-

**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

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.55%
International Fixed Inc.	5.00%	0.90%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

#### **Discount Rate**

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

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
School's proportionate share of the NDPERS net pension liability:	\$ 171,538	\$ 111,222	\$ 60,790

**Pension Plan Fiduciary Net Position**

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

***For the fiscal year ended June 30, 2014 only:***

Benefit and contribution provisions are administered in accordance with Chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement for the year ended June 30, 2014. Manvel Public School District No. 125 is required to contribute 8.26% of each participant's salary as the employer's share for the year ended June 30, 2014. In addition to the 8.26% employer contribution, the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Manvel Public School District No. 125's required and actual contributions to NDPERS for the fiscal year ended June 30, 2014, 2013 and 2012 were \$10,479, \$10,027, and \$8,500, respectively.

**NOTE 8 RISK MANAGEMENT**

The District 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 (NDRF), 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 District pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses on one million dollars per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

coverage in the amount of \$2,000,000 for its employees. The state Bonding Fund does not currently charge any premium for this coverage.

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

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

**NOTE 9 CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**NOTE 10 NON-MONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the years ended June 30, 2015 and 2014 was \$6,406 and \$5,777, respectively.

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2015 and 2014 is as follows:

Due to/from other funds as of June 30, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food Service	\$ 577

Due to/from other funds as of June 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food Service	\$ 1,599

The purpose of the interfund loans is to cover cash shortages in the Food Service fund.

The District made the following transfers as of June 30, 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfer Out</u>
General	\$ -	\$ 8,217
Food Service	8,217	-
Total Transfers	<u>\$ 8,217</u>	<u>\$ 8,217</u>

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

The District made the following transfers as of June 30, 2014:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfer Out</u>
General	\$ -	\$ 10,427
Food Service	10,427	-
Total Transfers	<u>\$ 10,427</u>	<u>\$ 10,427</u>

The transfers between the General Fund and the Food Service Fund were normal operating transfers to eliminate fund balance deficits in the Food Service Fund.

**NOTE 12 EXPENDITURES IN EXCESS OF BUDGET**

The General fund expenditures were \$25,212 in excess of budget for the year ended June 30, 2014.

**NOTE 13 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension liability and deferred outflows of resources as of July 1, 2014 as follows:

Net Position July 1, 2014, as previously reported	\$1,866,834
Restatement for pension accounting:	
Net Pension Liability	(1,593,641)
Pension related Deferred Outflows of Resources	89,234
Net Pension July 1, 2014, as restated	<u>\$ 362,427</u>

**NOTE 14 NEW PRONOUNCEMENTS**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**AS OF JUNE 30, 2015 AND 2014**

Management has not yet determined the effect these statements will have on the entity's financial statements.

**NOTE 15 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 17, 2015, which is the date these financial statements were available to be issued.

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**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance Positive/(Negative)
	Original	Final		
<b>REVENUES</b>				
Local Property Tax Levies	\$ 566,991	\$ 566,991	\$ 583,241	\$ 16,250
Revenue from State Sources	1,217,788	1,217,788	1,184,488	(33,300)
Revenue from Federal Sources	170,774	170,774	175,076	4,302
Other Revenue	17,300	17,300	25,106	7,806
<b>TOTAL REVENUES</b>	<u>1,972,853</u>	<u>1,972,853</u>	<u>1,967,911</u>	<u>(4,942)</u>
<b>EXPENDITURES</b>				
Current:				
Business Support Services	97,356	97,356	97,743	(387)
Instructional Support Services	22,972	22,972	19,909	3,063
Administration	113,418	113,418	109,922	3,496
Operations and Maintenance	93,557	93,557	79,744	13,813
Transportation	193,545	193,545	187,393	6,152
Regular Instruction	959,404	959,404	954,579	4,824
Special Education	26,071	26,071	22,137	3,934
Tuition	417,355	417,355	406,240	11,115
Community Service	38,311	38,311	39,017	(706)
Extra-Curricular Activities	-	-	3,347	(3,347)
<b>TOTAL EXPENDITURES</b>	<u>1,961,989</u>	<u>1,961,989</u>	<u>1,920,031</u>	<u>41,957</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,864</u>	<u>10,864</u>	<u>47,880</u>	<u>37,015</u>
<b>OTHER FINANCING USES</b>				
Transfers Out	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,219)</u>	<u>(219)</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>(8,000)</u>	<u>(8,000)</u>	<u>(8,219)</u>	<u>(219)</u>
Excess (Deficiency) of Revenues Other Sources Over (Under) Expenditures	2,864	2,864	39,661	36,796
Fund Balances - Beginning	<u>546,508</u>	<u>546,508</u>	<u>546,508</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 549,372</u>	<u>\$ 549,372</u>	<u>\$ 586,169</u>	<u>\$ 36,796</u>

See Note to Budgetary Comparison Schedules

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance Positive/(Negative)
	Original	Final		
<b>REVENUES</b>				
Local Property Tax Levies	\$ 613,721	\$ 613,721	\$ 606,482	\$ (7,239)
Revenue from State Sources	962,947	962,947	957,383	(5,564)
Revenue from Federal Sources	199,250	199,250	174,247	(25,003)
Other Revenue	44,012	44,012	68,868	24,856
<b>TOTAL REVENUES</b>	<u>1,819,930</u>	<u>1,819,930</u>	<u>1,806,980</u>	<u>(12,950)</u>
<b>EXPENDITURES</b>				
Current:				
Business Support Services	94,739	94,739	91,379	3,360
Instructional Support Services	28,631	28,631	19,587	9,044
Administration	98,133	98,133	97,616	517
Operations and Maintenance	87,974	87,974	100,719	(12,745)
Transportation	148,712	148,712	160,941	(12,229)
Regular Instruction	851,763	851,763	877,031	(25,268)
Special Education	47,323	47,323	42,703	4,620
Tuition	401,768	401,768	386,543	15,225
Community Services	42,482	42,482	38,243	4,239
Extra-Curricular Activities	-	-	11,975	(11,975)
<b>TOTAL EXPENDITURES</b>	<u>1,801,525</u>	<u>1,801,525</u>	<u>1,826,737</u>	<u>(25,212)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,405</u>	<u>18,405</u>	<u>(19,757)</u>	<u>(38,162)</u>
<b>OTHER FINANCING USES</b>				
Transfers Out	<u>(7,700)</u>	<u>(7,700)</u>	<u>(10,427)</u>	<u>(2,727)</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>(7,700)</u>	<u>(7,700)</u>	<u>(10,427)</u>	<u>(2,727)</u>
Excess (Deficiency) of Revenues Other Sources Over Expenditures	10,705	10,705	(30,184)	(40,889)
Fund Balances - Beginning	<u>576,692</u>	<u>576,692</u>	<u>576,692</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 587,397</u>	<u>\$ 587,397</u>	<u>\$ 546,508</u>	<u>\$ (40,889)</u>

See Note to Budgetary Comparison Schedules



**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING**

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. 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. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15<sup>th</sup> of each year. The budget is then filed with the county auditor by August 25<sup>th</sup> of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10<sup>th</sup> of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS**  
**LAST TEN YEARS**

**Teachers Fund for Retirement**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 94,159	\$ 94,159	\$ -	\$ 738,498	12.75%

**North Dakota Public Employees Retirement System**

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 12,541	\$ 12,541	\$ -	\$ 151,830	8.26%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

**Teachers Fund for Retirement**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.126560%	\$ 1,326,124	\$ 734,118	180.64%	66.60%

**North Dakota Public Employees Retirement System**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0175%	\$ 111,222	\$ 158,231	70.29%	77.70%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2015**

	<u>Food Service</u>	<u>Total Non-Major Gov't Funds</u>
<b>ASSETS</b>		
Accounts Receivable	\$ 744	\$ 744
<b>TOTAL ASSETS</b>	<u>\$ 744</u>	<u>\$ 744</u>
<b>LIABILITIES</b>		
Due to Other Funds	\$ 577	\$ 577
<b>TOTAL LIABILITIES</b>	<u>577</u>	<u>577</u>
<b>FUND BALANCES</b>		
Restricted	<u>167</u>	<u>167</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 744</u>	<u>\$ 744</u>

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES		
Revenue From State Sources	\$ 844	\$ 844
Revenue From Federal Sources	23,445	23,445
Other	<u>41,926</u>	<u>41,926</u>
TOTAL REVENUES	<u>66,215</u>	<u>66,215</u>
EXPENDITURES		
Current:		
Food Services	<u>74,434</u>	<u>74,434</u>
TOTAL EXPENDITURES	<u>74,434</u>	<u>74,434</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,219)</u>	<u>(8,219)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	<u>8,219</u>	<u>8,219</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,219</u>	<u>8,219</u>
Change in Fund Balance	-	-
Fund Balance - Beginning of Year	<u>167</u>	<u>167</u>
Fund Balance - End of Year	<u>\$ 167</u>	<u>\$ 167</u>

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2014**

	<u>Food Service</u>	<u>Total Non-Major Gov't Funds</u>
<b>ASSETS</b>		
Accounts Receivable	\$ 1,766	\$ 1,766
<b>TOTAL ASSETS</b>	<u>\$ 1,766</u>	<u>\$ 1,766</u>
<b>LIABILITIES</b>		
Due to Other Funds	\$ 1,599	\$ 1,599
<b>TOTAL LIABILITIES</b>	<u>1,599</u>	<u>1,599</u>
<b>FUND BALANCES</b>		
Restricted	<u>167</u>	<u>167</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,766</u>	<u>\$ 1,766</u>

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Food Service	Total Non-Major Governmental Funds
REVENUES		
Revenue From State Sources	\$ 246	\$ 246
Revenue From Federal Sources	20,839	20,839
Other	<u>37,825</u>	<u>37,825</u>
 TOTAL REVENUES	 <u>58,910</u>	 <u>58,910</u>
EXPENDITURES		
Current:		
Food Services	<u>69,337</u>	<u>69,337</u>
 TOTAL EXPENDITURES	 <u>69,337</u>	 <u>69,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(10,427)</u>	 <u>(10,427)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	<u>10,427</u>	<u>10,427</u>
 TOTAL FINANCING SOURCES	 <u>10,427</u>	 <u>10,427</u>
 Change in Fund Balance	 -	 -
Fund Balance - Beginning of Year	<u>167</u>	<u>167</u>
Fund Balance - End of Year	<u>\$ 167</u>	<u>\$ 167</u>



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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**

To the Board of Education  
Manvel Public School District No. 125  
Manvel, 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 Manvel Public School District No. 125 as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Manvel Public School District No. 125's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

BRADY, MARTZ & ASSOCIATES, P.C.  
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Grand Forks, ND 58208-4296 (701) 775-4685 Fax (701) 795-7498

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We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

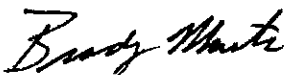
As part of obtaining reasonable assurance about whether Manvel Public School District No. 125's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District'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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA

December 17, 2015

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**2015-001 Finding**

**Criteria**

To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

**Condition**

The organization has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. 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.

**Effect**

Lack of segregation of duties leads to a limited degree of internal control.

**Recommendation**

The District should separate the duties when it becomes feasible.

**Management's Response**

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Business Manager to receipt and deposit at the various financial institutions.

The Administrator will start reviewing monthly files of receipt, journal entries and account transfers.

The Administrator and Principal will start to review monthly bills before payments are made.

The Board of Education reviews and approves all checks written.

The District will segregate other duties when feasible.

**MANVEL PUBLIC SCHOOL DISTRICT NO. 125**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**2015-002 Finding**

**Criteria**

The District does not identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Condition**

The District's auditors prepared the financial statements as of June 30, 2015 and 2014. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

**Effect**

The Superintendent is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to end users.

**Recommendation**

For entities of the District's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. The District should establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.

**Management's Response**

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.