

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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MANVEL PUBLIC SCHOOL DISTRICT NO. 125
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2017

Kathy Langowski	President
Dan Malott	Vice President
Sally Dockter	Board Member
Dianna Hoverson	Board Member
Jen Harrison	Board Member
Richard Ray (Until May 5, 2016)	Superintendent
Mark Mindt (May 5, 2016 – Present)	Superintendent
Karla Braaten	Business Manager
Melissa Hiltner	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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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.

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, 2017 and 2016, 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.

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

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 29, 2017 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 29, 2017

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

ASSETS	
Cash	\$ 648,191
Property Taxes Receivable	77,867
Due from State	59,838
Total Current Assets	<u>785,896</u>
Capital Assets	
Land	70,500
Buildings	2,270,069
Equipment	232,250
Vehicles	460,512
Less Accumulated Depreciation	<u>(1,739,231)</u>
Total Capital Assets, Net of Depreciation	<u>1,294,100</u>
TOTAL ASSETS	<u>2,079,996</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	451,224
Cost Sharing Defined Benefit Pension Plan - NDPERS	54,486
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>505,710</u>
CURRENT LIABILITIES	
Accrued Liabilities	11,167
Total Current Liabilities	<u>11,167</u>
LONG-TERM LIABILITIES	
Compensated Absences	7,642
Net Pension Liability	1,974,557
Total Long-Term Liabilities	<u>1,982,199</u>
TOTAL LIABILITIES	<u>1,993,366</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	60,352
Cost Sharing Defined Benefit Pension Plan - NDPERS	13,513
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>73,865</u>
NET POSITION	
Net Investment in Capital Assets	1,294,100
Restricted For:	
Capital Projects	108,955
Unrestricted	<u>(884,580)</u>
TOTAL NET POSITION	<u><u>\$ 518,475</u></u>

See Notes to the Basic Financial Statements

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 102,062	\$ -	\$ -	\$ (102,062)
Instructional Support Services	26,470	-	-	(26,470)
Administration	153,840	-	-	(153,840)
Operations and Maintenance	91,645	-	-	(91,645)
Transportation	225,434	-	-	(225,434)
Regular Instruction	1,609,184	-	166,244	(1,442,940)
Special Education	9,841	-	-	(9,841)
Extra-Curricular Activities	5,819	-	-	(5,819)
Food Services	89,543	46,235	33,270	(10,038)
Interest	17	-	-	(17)
Community Service	62,933	-	-	(62,933)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,376,788	\$ 46,235	\$ 199,514	(2,131,039)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				699,212
Property Taxes, Levied for Capital Projects				32,305
Aids and Payments from the State				1,474,202
Unrestricted Investment Earnings				1,886
Other Revenue				38,556
TOTAL GENERAL REVENUES				2,246,161
Change in Net Position				115,122
Net Position - Beginning				403,353
Net Position - Ending				\$ 518,475

See Notes to the Basic Financial Statements

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	General Fund	Capital Projects Fund	Non-Major Food Service Fund	Total Governmental Funds
ASSETS				
Cash	\$542,376	\$105,815	\$ -	\$ 648,191
Property Taxes Receivable	74,727	3,140	-	77,867
Due from State	59,838	-	-	59,838
Due from Other Funds	1,788	-	-	1,788
TOTAL ASSETS	<u>\$678,729</u>	<u>\$108,955</u>	<u>\$ -</u>	<u>\$ 787,684</u>
DEFERRED OUTFLOWS OF RESOURCES				
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 1,788	\$ 1,788
Accrued Liabilities	11,167	-	-	11,167
TOTAL LIABILITIES	<u>11,167</u>	<u>-</u>	<u>1,788</u>	<u>12,955</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Uncollected Taxes	49,426	2,926	-	52,352
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>49,426</u>	<u>2,926</u>	<u>-</u>	<u>52,352</u>
FUND BALANCES				
Restricted for Capital Projects	-	106,029	-	106,029
Unassigned	618,136	-	(1,788)	616,348
TOTAL FUND BALANCES	<u>618,136</u>	<u>106,029</u>	<u>(1,788)</u>	<u>722,377</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$678,729</u>	<u>\$108,955</u>	<u>\$ -</u>	<u>\$ 787,684</u>

See 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, 2017

Total fund balances - governmental funds \$ 722,377

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 reported as net assets in government funds:

Cost of capital assets	\$3,033,331	
Less: Accumulated depreciation	<u>(1,739,231)</u>	
Net		1,294,100

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. 52,352

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. 431,845

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.

Compensated Absences		(7,642)
Net Pension Liability		<u>(1,974,557)</u>

Net Position - Governmental Activities \$ 518,475

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	Non-Major Food Service Fund	Total Governmental Funds
REVENUES				
Local Property Tax Levies	\$ 688,865	\$ 30,000	\$ -	\$ 718,865
Revenue From State Sources	1,474,202	-	-	1,474,202
Revenue From Federal Sources	166,244	-	33,270	199,514
Other	40,442	-	46,235	86,677
TOTAL REVENUES	<u>2,369,753</u>	<u>30,000</u>	<u>79,505</u>	<u>2,479,258</u>
EXPENDITURES				
Current:				
Business Support Services	102,062	-	-	102,062
Instructional Support Services	26,470	-	-	26,470
Administration	153,840	-	-	153,840
Operations and Maintenance	72,892	5,877	-	78,769
Transportation	196,842	-	-	196,842
Regular Instruction	1,502,894	-	-	1,502,894
Special Education	9,841	-	-	9,841
Community Service	62,933	-	-	62,933
Extra - Curricular Activities	5,819	-	-	5,819
Food Services	-	-	89,543	89,543
Capital Outlay:				
Capital Outlay	223,224	-	-	223,224
Debt Service:				
Principal	-	667	-	667
Interest	-	17	-	17
TOTAL EXPENDITURES	<u>2,356,817</u>	<u>6,561</u>	<u>89,543</u>	<u>2,452,921</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,936</u>	<u>23,439</u>	<u>(10,038)</u>	<u>26,337</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(9,787)	-	-	(9,787)
Transfers In	-	-	9,787	9,787
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>(9,787)</u>	<u>-</u>	<u>9,787</u>	<u>-</u>
Net Change in Fund Balance	3,149	23,439	(251)	26,337
Fund Balance - Beginning of Year	614,987	82,590	(1,537)	696,040
Fund Balance - End of Year	<u>\$ 618,136</u>	<u>\$ 106,029</u>	<u>\$ (1,788)</u>	<u>\$ 722,377</u>

See 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, 2017

Net change in fund balance - governmental funds \$ 26,337

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	\$ 223,224
Depreciation Expense	<u>(82,947)</u>

Excess Capital Outlay Over Depreciation	140,277
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Loss on disposal	(2,122)
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Changes in deferred outflows and inflows of resources related to net pension liability	222,781
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Change in Net Pension Liability	(285,253)
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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	667
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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 decrease in compensated absences. (217)

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>12,652</u>
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Net change in net position - governmental activities	<u>\$ 115,122</u>
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MANVEL PUBLIC SCHOOL DISTRICT NO. 125
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
AS OF JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	<u>\$ 56,986</u>
TOTAL ASSETS	<u><u>\$ 56,986</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 56,986</u>
TOTAL LIABILITIES	<u><u>\$ 56,986</u></u>

See Notes to the Basic Financial Statements

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

ASSETS	
Cash	\$ 624,601
Property Taxes Receivable	60,660
Due from State	62,666
Total Current Assets	<u>747,927</u>
Capital Assets	
Land	70,500
Buildings	2,270,069
Equipment	178,976
Vehicles	325,562
Less Accumulated Depreciation	(1,689,162)
Total Capital Assets, Net of Depreciation	<u>1,155,945</u>
TOTAL ASSETS	<u>1,903,872</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	289,622
Cost Sharing Defined Benefit Pension Plan - NDPERS	29,030
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>318,652</u>
CURRENT LIABILITIES	
Accrued Liabilities	12,187
Special Assessments Payable	667
Total Current Liabilities	<u>12,854</u>
LONG-TERM LIABILITIES	
Compensated Absences	7,425
Net Pension Liability	1,689,304
Total Long-Term Liabilities	<u>1,696,729</u>
TOTAL LIABILITIES	<u>1,709,583</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	79,874
Cost Sharing Defined Benefit Pension Plan - NDPERS	29,714
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>109,588</u>
NET POSITION	
Net Investment in Capital Assets	1,155,945
Restricted For:	
Capital Projects	83,211
Food Service	(1,537)
Unrestricted	<u>(834,266)</u>
TOTAL NET POSITION	<u><u>\$ 403,353</u></u>

See Notes to the Basic Financial Statements

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 104,966	\$ -	\$ -	\$ (104,966)
Instructional Support Services	27,907	-	-	(27,907)
Administration	139,603	-	-	(139,603)
Operations and Maintenance	102,775	-	-	(102,775)
Transportation	174,621	-	-	(174,621)
Regular Instruction	1,502,046	-	179,522	(1,322,524)
Special Education	10,585	-	-	(10,585)
Extra-Curricular Activities	3,634	-	-	(3,634)
Food Services	75,549	42,349	29,146	(4,054)
Interest	34	-	-	(34)
Community Service	53,198	-	-	(53,198)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,194,918	\$ 42,349	\$ 208,668	(1,943,901)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				646,003
Property Taxes, Levied for Capital Projects				2,269
Aids and Payments from the State				1,242,076
Unrestricted Investment Earnings				582
Other Revenue				44,563
TOTAL GENERAL REVENUES				1,935,493
Change in Net Position				(8,408)
Net Position - Beginning				411,761
Net Position - Ending				\$ 403,353

See Notes to the Basic Financial Statements

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	General Fund	Capital Projects Fund	Non-Major Food Service Fund	Total Governmental Funds
ASSETS				
Cash	\$ 542,383	\$ 82,218	\$ -	\$ 624,601
Property Taxes Receivable	59,667	993	-	60,660
Due from State	62,666	-	-	62,666
Due from Other Funds	1,537	-	-	1,537
TOTAL ASSETS	<u>\$ 666,253</u>	<u>\$ 83,211</u>	<u>\$ -</u>	<u>\$ 749,464</u>
DEFERRED OUTFLOWS OF RESOURCES				
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 1,537	\$ 1,537
Accrued Liabilities	12,187	-	-	12,187
TOTAL LIABILITIES	<u>12,187</u>	<u>-</u>	<u>1,537</u>	<u>13,724</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Uncollected Taxes	39,079	621	-	39,700
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>39,079</u>	<u>621</u>	<u>-</u>	<u>39,700</u>
FUND BALANCES				
Restricted for Capital Projects	-	82,590	-	82,590
Unassigned	614,987	-	(1,537)	613,450
TOTAL FUND BALANCES	<u>614,987</u>	<u>82,590</u>	<u>(1,537)</u>	<u>696,040</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 666,253</u>	<u>\$ 83,211</u>	<u>\$ -</u>	<u>\$ 749,464</u>

See 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, 2016

Total fund balances - governmental funds \$ 696,040

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>(1,689,162)</u>	
Net		1,155,945

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.	39,700
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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.	209,064
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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	(667)	
Compensated Absences	(7,425)	
Net Pension Liability	<u>(1,689,304)</u>	

Net Position - Governmental Activities	<u><u>\$ 403,353</u></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, 2016

	General Fund	Capital Projects Fund	Non-Major Food Service Fund	Total Governmental Funds
REVENUES				
Local Property Tax Levies	\$ 618,483	\$ 2,952	\$ -	\$ 621,435
Revenue From State Sources	1,242,076	-	887	1,242,963
Revenue From Federal Sources	179,522	-	28,259	207,781
Other	45,145	-	42,349	87,494
TOTAL REVENUES	2,085,226	2,952	71,495	2,159,673
EXPENDITURES				
Current:				
Business Support Services	104,966	-	-	104,966
Instructional Support Services	27,907	-	-	27,907
Administration	139,603	-	-	139,603
Operations and Maintenance	89,476	558	-	90,034
Transportation	156,258	-	-	156,258
Regular Instruction	1,468,431	-	-	1,468,431
Special Education	10,585	-	-	10,585
Community Service	53,198	-	-	53,198
Extra - Curricular Activities	3,634	-	-	3,634
Food Services	-	-	75,549	75,549
Debt Service:				
Principal	-	650	-	650
Interest	-	34	-	34
TOTAL EXPENDITURES	2,054,058	1,242	75,549	2,130,849
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,168	1,710	(4,054)	28,824
OTHER FINANCING SOURCES (USES)				
Transfers Out	(2,350)	-	-	(2,350)
Transfers In	-	-	2,350	2,350
TOTAL OTHER FINANCIAL SOURCES (USES)	(2,350)	-	2,350	-
Net Change in Fund Balance	28,818	1,710	(1,704)	28,824
Fund Balance - Beginning of Year	586,169	80,880	167	667,216
Fund Balance - End of Year	\$ 614,987	\$ 82,590	\$ (1,537)	\$ 696,040

See 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, 2016

Net change in fund balance - governmental funds \$ 28,824

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	\$ -
Depreciation Expense	<u>(74,190)</u>

Excess Depreciation Over Capital Outlay	(74,190)
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Changes in deferred outflows and inflows of resources related to net pension liability	260,980
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Change in Net Pension Liability	(251,958)
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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	650
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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.	449
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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>26,837</u>
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Net change in net position - governmental activities	<u>\$ (8,408)</u>
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MANVEL PUBLIC SCHOOL DISTRICT NO. 125
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
AS OF JUNE 30, 2016

ASSETS	
Cash and Cash Equivalents	<u>\$ 53,415</u>
TOTAL ASSETS	<u><u>\$ 53,415</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 53,415</u>
TOTAL LIABILITIES	<u><u>\$ 53,415</u></u>

See Notes to the Basic Financial Statements

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 AND 2016

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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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 15th of each year. The budget is then filed with the county auditor by August 25th of each year.

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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 10th 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.

During 2017 General Fund actual expenses were in excess of budgeted expenditures by \$94,930 and in 2016 General Fund budgeted expenditures were in excess of actual expenses by \$73,210.

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	20 to 75	Years
Equipment and Fixtures	6 to 20	Years
Vehicles	7 to 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.

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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 Employees 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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2017.

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, 2017, 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, 2017, the carrying amount of the District's deposits was \$705,177 and the bank balance was \$849,883. 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, 2016, the carrying amount of the District's deposits was \$678,016 and the bank balance was \$632,393. 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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Governmental Activities				
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	53,274	-	232,250
Vehicles	325,562	169,950	35,000	460,512
Total Capital Assets Being Depreciated	<u>2,774,607</u>	<u>223,224</u>	<u>35,000</u>	<u>2,962,831</u>
Less Accumulated Depreciation				
Buildings	1,403,366	33,879	-	1,437,245
Equipment	135,060	20,476	-	155,536
Vehicles	150,736	28,592	32,878	146,450
Total Accumulated Depreciation	<u>1,689,162</u>	<u>82,947</u>	<u>32,878</u>	<u>1,739,231</u>
Net Capital Assets Being Depreciated	<u>1,085,445</u>	<u>140,277</u>	<u>2,122</u>	<u>1,223,600</u>
Net Capital Assets for Governmental Activities	<u>\$ 1,155,945</u>	<u>\$ 140,277</u>	<u>\$ 2,122</u>	<u>\$ 1,294,100</u>

In the governmental activities section of the statement of activities for the year ended June 30, 2017, depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 41,479
Maintenance and Operation	12,876
Transportation	28,592
	<u>\$ 82,947</u>

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

The following is a summary of changes in capital assets during the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Governmental Activities				
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	325,562	-	-	325,562
Total Capital Assets Being Depreciated	<u>2,774,607</u>	<u>-</u>	<u>-</u>	<u>2,774,607</u>
Less Accumulated Depreciation				
Buildings	1,369,487	33,879	-	1,403,366
Equipment	113,112	21,948	-	135,060
Vehicles	132,373	18,363	-	150,736
Total Accumulated Depreciation	<u>1,614,972</u>	<u>74,190</u>	<u>-</u>	<u>1,689,162</u>
Net Capital Assets Being Depreciated	<u>1,159,635</u>	<u>(74,190)</u>	<u>-</u>	<u>1,085,445</u>
Net Capital Assets for Governmental Activities	<u>\$ 1,230,135</u>	<u>\$ (74,190)</u>	<u>\$ -</u>	<u>\$ 1,155,945</u>

In the governmental activities section of the statement of activities for the year ended June 30, 2016, depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 43,086
Maintenance and Operation	12,741
Transportation	18,363
	<u>\$ 74,190</u>

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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, 2017, is as follows

Title	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
Special Assessments Payable	\$ 667	\$ -	\$ 667	\$ -	\$ -
Compensated Absences	7,425	6,281	6,064	7,642	-
Net Pension Liability	1,689,304	539,207	253,954	1,974,557	-
Totals	\$1,697,396	\$545,488	\$ 260,685	\$1,982,199	\$ -

A summary of long-term debt as of June 30, 2016, is as follows:

Title	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Special Assessments Payable	\$ 1,317	\$ -	\$ 650	\$ 667	\$ 667
Compensated Absences	7,874	5,608	6,057	7,425	-
Net Pension Liability	1,437,346	641,886	389,928	1,689,304	-
Totals	\$1,446,537	\$647,494	\$ 396,635	\$1,697,396	\$ 667

The special assessments as of June 30, 2017, are fully amortized.

The annual requirements to amortize the special assessments as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	\$ 667	\$ 17	\$684
	<u>\$ 667</u>	<u>\$ 17</u>	<u>\$684</u>

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

At June 30, 2017 and 2016, rental commitments under operating leases were not significant.

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

NOTE 6 FUND BALANCE

A. Classifications

At June 30, 2017, a summary of the governmental fund balance classifications are as follows:

	Capital Projects	Total
Restricted For:		
Capital Projects	\$ 106,029	\$ 106,029

At June 30, 2016, a summary of the governmental fund balance classifications are as follows:

	Capital Projects	Total
Restricted For:		
Capital Projects	\$ 82,590	\$ 82,590

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2017 and 2016, 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 THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

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
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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.

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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, 2017, the District reported a liability of \$1,811,331 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2016, the Employer's proportion was 0.123635 percent which was an increase of 0.003330 from its proportion measured as of June 30, 2015.

At June 30, 2016, the District reported a liability of \$1,573,415 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015, the Employer's proportion was 0.1203050 percent which was a decrease of 0.0062550 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2017, the Employer recognized pension expense of \$164,049. At June 30, 2017, 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	\$ 8,555	\$ 8,576
Changes in actuarial assumptions	151,298	-
Difference between projected and actual investment earnings	150,571	-
Changes in proportion	33,319	51,776
Contributions paid to TFFR subsequent to the measurement date	107,481	-
Total	\$ 451,224	\$ 60,352

\$107,481 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, 2018.

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For the year ended June 30, 2016, the Employer recognized pension expense of \$94,021. At June 30, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 10,311	\$ -
Changes in actuarial assumptions	176,668	-
Difference between projected and actual investment earnings	-	17,743
Changes in proportion	-	62,131
Contributions paid to TFFR subsequent to the measurement date	102,643	-
Total	<u>\$ 289,622</u>	<u>\$ 79,874</u>

\$102,643 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, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2017 will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 51,075
2019	51,075
2020	87,867
2021	64,831
2022	24,418
Thereafter	4,125

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2016 will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 7,690
2018	7,690
2019	7,690
2020	43,491
2021	21,076
Thereafter	19,468

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for TFFR.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58.00%	7.30%
Global Fixed Income	23.00%	0.88%
Global Real Assets	18.00%	5.32%
Cash Equivalents	1.00%	0.00%

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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 as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	57.00%	7.53%
Global Fixed Income	22.00%	1.28%
Global Real Assets	18.00%	5.38%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

Pension Liability Sensitivity

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate at June 30, 2017 and 2016 respectively:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
School's proportionate share of the TFFR net pension liability:	\$ 2,349,432	\$ 1,811,331	\$ 1,363,143

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
School's proportionate share of the TFFR net pension liability:	\$ 2,079,343	\$ 1,573,415	\$ 1,151,482

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Pension Plan Fiduciary Net Position

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

North Dakota Public 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.

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.

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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.

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

At June 30, 2017, the District reported a liability of \$163,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.016748 percent which was a decrease of 0.000295 from its proportion measured as of June 30, 2015.

At June 30, 2016, the District reported a liability of \$115,889 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015, the Employer's proportion was 0.0170430 percent which was a decrease of 0.0004800 from its proportion measured as of June 30, 2014.

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For the year ended June 30, 2017, the District recognized pension expense of \$20,734. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 2,452	\$ 1,511
Changes in actuarial assumptions	15,047	8,109
Difference between projected and actual investment earnings	22,773	-
Changes in proportion	-	3,893
Contributions paid to NDPERS subsequent to the measurement date	14,214	-
Total	<u>\$ 54,486</u>	<u>\$ 13,513</u>

\$14,214 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, 2018.

For the year ended June 30, 2016, the District recognized pension expense of \$10,334. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,362	\$ -
Changes in actuarial assumptions	13,391	10,325
Difference between projected and actual investment earnings	-	15,837
Changes in proportion	-	3,552
Contributions paid to NDPERS subsequent to the measurement date	12,277	-
Total	<u>\$ 29,030</u>	<u>\$ 29,714</u>

\$12,277 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, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2017 will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 4,593
2019	4,593
2020	9,561
2021	5,809
2022	2,203

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2016 will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense Amount
2017	\$ (3,851)
2018	(3,851)
2019	(3,851)
2020	1,204
2021	(2,612)

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.60%
International Equity	21.00%	7.30%
Private Equity	5.00%	10.90%
Domestic Fixed Income	17.00%	1.49%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.24%
Cash Equivalents	1.00%	0.00%

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 as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.60%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
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 8.00 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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 8.00 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 (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate at June 30, 2017 and 2016 respectively:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	7.00%	8.00%	9.00%
School's proportionate share of the NDPERS net pension liability:	\$ 231,532	\$ 163,226	\$ 105,674

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	7.00%	8.00%	9.00%
School's proportionate share of the NDPERS net pension liability:	\$ 177,711	\$ 115,889	\$ 65,309

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF 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 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.

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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, 2017 and 2016 was \$6,940 and \$8,431, respectively.

NOTE 11 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2017 and 2016 is as follows:

Due to/from other funds as of June 30, 2017:

Receivable Fund	Payable Fund	Amount
General	Food Service	\$ 1,788

Due to/from other funds as of June 30, 2016:

Receivable Fund	Payable Fund	Amount
General	Food Service	\$ 1,537

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, 2017:

Fund	Transfers In	Transfer Out
General	\$ -	\$ 9,787
Food Service	9,787	-
Total Transfers	\$ 9,787	\$ 9,787

The District made the following transfers as of June 30, 2016:

Fund	Transfers In	Transfer Out
General	\$ -	\$ 2,350
Food Service	2,350	-
Total Transfers	\$ 2,350	\$ 2,350

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 12 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. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017 AND 2016

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 29, 2017, which is the date these financial statements were available to be issued.

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance Positive/(Negative)
	Original	Final		
REVENUES				
Local Property Tax Levies	\$ 698,015	\$ 698,015	\$ 688,865	\$ (9,150)
Revenue from State Sources	1,373,006	1,373,006	1,474,202	101,196
Revenue from Federal Sources	298,610	298,610	166,244	(132,366)
Other Revenue	71,200	71,200	40,442	(30,758)
TOTAL REVENUES	2,440,831	2,440,831	2,369,753	(71,078)
EXPENDITURES				
Current:				
Business Support Services	100,172	100,172	102,062	(1,890)
Instructional Support Services	23,898	23,898	26,470	(2,572)
Administration	175,125	175,125	153,840	21,285
Operations and Maintenance	116,534	116,534	126,166	(9,632)
Transportation	242,162	242,162	366,792	(124,630)
Regular Instruction	1,517,911	1,517,911	1,502,894	15,017
Special Education	11,841	11,841	9,841	2,000
Community Service	69,744	69,744	62,933	6,811
Extra - Curricular Activities	4,500	4,500	5,819	(1,319)
TOTAL EXPENDITURES	2,261,887	2,261,887	2,356,817	(94,930)
Excess (Deficiency) of Revenues Over Expenditures	178,944	178,944	12,936	(166,008)
OTHER FINANCING USES				
Transfers Out	-	-	(9,787)	(9,787)
TOTAL OTHER FINANCING USES	-	-	(9,787)	(9,787)
Excess (Deficiency) of Revenues Other Sources Over Expenditures	178,944	178,944	3,149	(175,795)
Fund Balances - Beginning	614,987	614,987	614,987	-
Fund Balances - Ending	\$ 793,931	\$ 793,931	\$ 618,136	\$ (175,795)

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Positive/(Negative)
	Original	Final		
REVENUES				
Local Property Tax Levies	\$ 656,476	\$ 656,476	\$ 618,483	\$ (37,993)
Revenue from State Sources	1,202,927	1,202,927	1,242,076	39,149
Revenue from Federal Sources	183,189	183,189	179,522	(3,667)
Other Revenue	24,600	24,600	45,145	20,545
TOTAL REVENUES	2,067,192	2,067,192	2,085,226	18,034
EXPENDITURES				
Current:				
Business Support Services	105,856	105,856	104,966	890
Instructional Support Services	21,617	21,617	27,907	(6,290)
Administration	140,708	140,708	139,603	1,105
Operations and Maintenance	89,958	89,958	89,476	482
Transportation	163,608	163,608	156,258	7,350
Regular Instruction	1,511,670	1,511,670	1,468,431	43,239
Special Education	28,436	28,436	10,585	17,851
Community Service	61,918	61,918	53,198	8,720
Extra - Curricular Activities	3,497	3,497	3,634	(137)
TOTAL EXPENDITURES	2,127,268	2,127,268	2,054,058	73,210
Excess (Deficiency) of Revenues Over Expenditures	(60,076)	(60,076)	31,168	91,244
OTHER FINANCING USES				
Transfers Out	(8,000)	(8,000)	(2,350)	5,650
TOTAL OTHER FINANCING USES	(8,000)	(8,000)	(2,350)	5,650
Excess (Deficiency) of Revenues Other Sources Over Expenditures	(68,076)	(68,076)	28,818	96,894
Fund Balances - Beginning	586,169	586,169	586,169	-
Fund Balances - Ending	\$ 518,093	\$ 518,093	\$ 614,987	\$ 96,894

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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 15th of each year. The budget is then filed with the county auditor by August 25th 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 10th 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
NOTES TO THE BUDGETARY COMPARISON SCHEDULES FOR THE
GENERAL FUND - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2 EXPENDITURES IN EXCESS OF BUDGET

December 31, 2017

	<u>Budget</u>	<u>General Fund Actual</u>	<u>Excess</u>
Expenditures			
Business Support Services	\$ 100,172	\$ 102,062	\$ 1,890
Instructional Support Services	23,898	26,470	2,572
Operations and Maintenance	116,534	126,166	9,632
Transportation	242,162	366,792	124,630
Extra - Curricular Activities	4,500	5,819	1,319

December 31, 2016

	<u>Budget</u>	<u>General Fund Actual</u>	<u>Excess</u>
Expenditures			
Instructional Support Services	\$ 21,617	\$ 27,907	\$ 6,290
Extra - Curricular Activities	3,497	3,634	137

Funds sufficient to provide for the excess expenditures were made available from other funds; the excess has no impact on the financial results of the District.

During 2017 General Fund actual expenses were in excess of budgeted expenditures by \$94,930 and in 2016 General Fund budgeted expenditures were in excess of actual expenses by \$73,210.

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
2017	\$ 107,481	\$ 107,481	-	\$ 842,992	12.75%
2016	102,643	102,643	-	805,041	12.75%
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
2017	\$ 14,214	\$ 14,214	-	\$ 199,636	7.12%
2016	12,277	12,277	-	172,013	7.14%
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
2017	0.123635%	\$ 1,811,331	\$ 805,041	225.00%	59.20%
2016	0.120305%	1,573,415	738,498	213.06%	62.10%
2015	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
2017	0.016748%	\$ 163,226	\$ 172,013	94.89%	70.46%
2016	0.017043%	115,889	151,830	76.33%	77.15%
2015	0.017523%	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
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

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

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

NDPERS

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



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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2017.

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.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 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 29, 2017

MANVEL PUBLIC SCHOOL DISTRICT NO. 125
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

2017-001 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, 2017

2017-002 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, 2017 and 2016. 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.