

OAKES PUBLIC SCHOOL DISTRICT NO. 41
OAKES, NORTH DAKOTA
**INDEPENDENT AUDITOR'S REPORT ON
EXAMINATION**

For the Years Ended
June 30, 2017
June 30, 2016

V. NELSON CPA, LTD.



OAKES PUBLIC SCHOOL DISTRICT NO. 41
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OAKES PUBLIC SCHOOL DISTRICT NO. 41

LIST OF OFFICIALS

2016-2017

President	Sonia Meehl
Vice-President	Karla Hoelscher
Director	Cherie Muggli
Director	Philip Roney
Director	Jeremiah Udem
Superintendent	Kraig Steinhoff
Business Manager	Thomas Vanorny

2015-2016

President	Sonia Meehl
Vice-President	Karla Hoelscher
Director	Cherie Muggli
Director	Philip Roney
Director	Jeremiah Udem
Superintendent	Joshua Johnson
Business Manager	Thomas Vanorny



V. NELSON CPA LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Oakes Public School District No. 41
Oakes, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakes Public School District No. 41, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Oakes Public School District No. 41, 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 management's discussion and analysis and budgetary comparison information on pages 5-10 and 55-59 and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 53 and 54 respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Oakes Public School District No. 41's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2017, on our consideration of Oakes Public School District No. 41'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 Oakes Public School District No. 41's internal control over financial reporting and compliance.

V. Nelson CPA, Ltd.

V. NELSON CPA, LTD.

Oakes, North Dakota
August 24, 2017

OAKES PUBLIC SCHOOL DISTRICT NO. 41
MANAGEMENT DISCUSSION AND ANALYSIS
(UNAUDITED)

The management's discussion and analysis of Oakes Public School District No. 41's financial performance provides an overall review of the District's financial activities for the years ended June 30, 2017 and 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the years ended June 30, 2017 and 2016, are as follows:

- * Net position of the District increased by \$199,914 and \$102,553 as a result of the operations for the years ended June 30, 2017 and 2016, respectively.
- * The District's net position totaled \$2,462,274 and \$2,262,360 as of June 30, 2017 and 2016, respectively.
- * Total revenues from all sources were \$6,069,663 and \$5,975,060 as of June 30, 2017 and 2016, respectively.
- * Total expenses were \$5,869,749 and \$5,872,507 as of June 30, 2017 and 2016, respectively.
- * The District's general fund had \$5,450,437 and \$5,405,399 in total revenues, as of June 30, 2017 and 2016, respectively \$5,085,466 and \$6,093,488 in expenditures as of June 30, 2017 and 2016, respectively and other financing sources (uses) of (\$34,885) and (\$45,072) as of June 30, 2017 and 2016, respectively. Overall the general fund balance increased (decreased) by \$330,086 and (\$733,161) for the years ended June 30, 2017 and 2016, respectively.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include; (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating, respectively. Evaluation of the overall economic health of the District would extend to other nonfinancial factors in addition to the financial information provided in this report, such as changes in the District's tax base.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. The District's major governmental funds are the General Fund, Special Revenue Fund and the Capital Projects Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focuses on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

Fiduciary funds, such as private purpose scholarship and activity funds, are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund District programs.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at June 30, 2017 is \$2,462,274. This is a \$199,914 increase over June 30, 2016 net position of \$2,262,360. The District's net position at June 30, 2016 is \$2,262,360. This is a \$102,553 increase over June 30, 2015 net position of \$2,159,807. The following table provides a summary of the District's net position at June 30, 2017, 2016 and 2015. The District's overall financial position improved during fiscal years 2017 and 2016.

Table 1 Summary of Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
ASSETS			
Current Assets	\$1,699,384	\$1,261,806	\$2,540,177
Non Current Assets (Net of accumulated depreciation)	<u>6,584,588</u>	<u>6,878,747</u>	<u>4,625,904</u>
Total Assets	\$8,283,972	\$8,140,553	\$7,166,081
DEFERRED OUTFLOWS OF RESOURCES	1,251,377	813,511	337,555
LIABILITIES			
Current Liabilities	\$ 273,484	\$ 301,374	\$ 182,955
Long-Term Liabilities	<u>6,524,545</u>	<u>6,130,139</u>	<u>4,683,021</u>
Total Liabilities	\$6,798,029	\$6,431,513	\$4,865,976
DEFERRED INFLOWS OF RESOURCES	275,046	260,191	477,853
NET POSITION			
Invested in Capital assets, Net of related debt	\$5,014,588	\$5,083,747	\$3,305,122
Restricted for:			
Debt service	0	0	0
Capital projects	101,954	15,619	600,566
Special reserve fund	229,952	229,952	229,952
Unrestricted	<u>(2,884,220)</u>	<u>(3,066,958)</u>	<u>(1,975,833)</u>
	<u>\$2,462,274</u>	<u>\$2,262,360</u>	<u>\$2,159,807</u>

Table 2 Summary of Changes in Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Revenues			
Program Revenues:			
Charges for Services	\$ 143,896	\$ 140,993	\$ 140,926
Operating Grants and Contributions	464,711	515,205	455,303
General Revenues:			
Taxes	1,605,672	1,608,550	1,631,965
State Aid	3,705,610	3,602,490	3,594,785
Gain (Loss) on sale of Capital Assets	(1,217)	(108,680)	0
Interest income	3,475	4,746	5,535
Miscellaneous	147,516	211,756	180,037
	<u>\$6,069,663</u>	<u>\$5,975,060</u>	<u>\$6,008,551</u>
Expenses	June 30, 2017	June 30, 2016	June 30, 2015
Instruction	\$2,880,377	\$3,111,266	\$2,647,675
Pupil services	562,962	412,107	479,434
General admin. services	263,162	344,507	244,595
School admin. services	253,805	271,288	257,640
Business services	107,168	102,276	103,939
Operation & maint. of plant	964,076	820,865	697,096
Pupil transportation services	316,812	306,191	289,143
Interest on long-term debt	45,402	38,411	19,894
Food services outlays	290,044	290,951	298,092
Extracurricular	185,941	174,645	193,797
Total Expenses	<u>\$5,869,749</u>	<u>\$5,872,507</u>	<u>\$5,231,305</u>
Increase in Net Position	<u>\$ 199,914</u>	<u>\$ 102,553</u>	<u>\$ 777,246</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3

	Total Cost for Year Ended June 30, 2017	Net Cost (Revenue) for Year Ended June 30, 2017	Total Cost for Year Ended June 30, 2016	Net Cost (Revenue) for Year Ended June 30, 2016
Instruction	\$2,880,377	\$2,717,756	\$3,111,266	\$2,909,159
Pupil services	562,962	562,962	412,107	412,107
General admin. services	263,162	263,162	344,507	344,507
School admin. services	253,805	253,805	271,288	271,288
Business services	107,168	107,168	102,276	102,276
Plant operation & maint.	964,076	964,076	820,865	820,865
Pupil transportation serv.	316,812	125,485	306,191	97,979
Interest on long-term debt	45,402	45,402	38,411	38,411
Food services outlays	290,044	35,385	290,951	45,072
Extracurricular	185,941	185,941	174,645	174,645
Total Expenses	<u>\$5,869,749</u>	<u>\$5,261,142</u>	<u>\$5,872,507</u>	<u>\$5,216,309</u>

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$6,059,214 and expenditures of \$5,645,912 for the year ended June 30, 2017. As of June 30, 2017 the fund balance of the District's governmental fund was \$1,529,848. The District's governmental funds had total revenues of \$6,006,364 and expenditures of \$5,662,430 for the year ended June 30, 2016. As of June 30, 2016 the fund balance of the District's governmental fund was \$1,116,046. There was a increase in the District's fund balance for June 30, 2017. There was a decrease in the District's fund balance for June 30, 2016. The net resources available for spending in the District's General Fund increased for fiscal 2017 and decreased for fiscal 2016.

General Fund Budgeting Highlights

During the course of the fiscal years ending June 30, 2017 and 2016, the District did not amend its budgets. The actual revenue for the year ended June 30, 2017 was under budget by \$8,517. The actual revenue for the year ended June 30, 2016 was under budget by \$2,271. The most significant variances were state aid and general property tax. The actual expenditures for the year ended June 30, 2017 were under budget by \$311,200. The actual expenditures for the year ended June 30, 2016 were under budget by \$248,573. The most significant variance was a change in the amount the District spent on school improvements & salaries. The total expenditures for the General Fund for 2015-2016 was \$6,093,488. The total expenditures for 2016-2017 decreased by \$1,008,022 to \$5,085,466.

Capital Assets

The District had \$6,584,588 and \$6,878,747 invested in capital assets as of June 30, 2017 and 2016, respectively. As indicated in Note 6 capital assets increased, mainly due to capital addition of a central office and computers.

Debt Administration

The debt as of June 30, 2017 consists of two general obligation bonds and pension liability of \$925,000, \$645,000 and \$5,139,545 for a total of \$6,709,545. The debt as of June 30, 2016 was \$6,355,139. Of the \$6,709,545 in outstanding debt as of June 30, 2017, \$185,000 is due within one year.

The debt for Oakes Public School District building project Bond is paid from the Debt Service Fund. The district issued \$410,000 of general obligation bonds of 2010 on March 30, 2010. The balance was paid by May, 2017.

The school district issued a bond October 25, 2015 for library and central offices. The balance on June 30, 2017 is \$925,000. Annual principal payment varies and is due in August with interest also due in February. Final payment is due August, 2025.

The school district issued a bond February 5, 2014 for refunding bonds of 2008. The balance on June 30, 2017 is \$645,000. Annual principal payment is due in August, with interest also due in February. Final payment is due August, 2023.

The school district levies a tax for all of its debt.

Significant factors that can affect the financial position or results of operations in the future

The vast amount of income to the school district comes from state or local sources. Local sources of income are determined by property value. The value of property has been going up which has provided for enhanced revenue. If the local economy should experience difficulty and property valuation declines then the financial position of the school would be negatively affected. At this time property value is strong and should not negatively affect local sources of income.

State sources of income are provided on a per student basis. If the school should experience a decline in numbers of students then state sources on income would be negatively affected. The district is experiencing an increase in student numbers that is positively affecting state support. It is anticipated that in the long term student numbers will decline.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to show the accountability for the money received. If you have any questions, please contact Oakes Public School District No. 41 804 Main Ave., Oakes, ND 58474, Phone (701) 742-3234.

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OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and cash equivalents	\$1,516,606
Property taxes receivable	81,052
Intergovernmental receivable	<u>101,726</u>
Total current assets	1,699,384
Non Current Assets:	
Capital assets	9,236,593
Less accumulated depreciation	<u>(2,652,005)</u>
Total non current assets	<u>6,584,588</u>
Total Assets	<u>\$8,283,972</u>
DEFERRED OUTFLOWS OF RESOURCES	1,251,377
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 0
Salaries & benefits payable	88,484
Current portion of long-term debt	<u>185,000</u>
Total current liabilities	273,484
Long Term Liabilities:	
Net Pension Liability	5,139,545
Non current portion of long-term debt	<u>1,385,000</u>
Total Long Term Liabilities	6,524,545
Total Liabilities	<u>6,798,029</u>
DEFERRED INFLOWS OF RESOURCES	275,046
NET POSITION	
Invested in capital assets, net of related debt	5,014,588
Restricted for:	
Debt service	0
Capital projects	101,954
Special reserve fund	229,952
Unrestricted	<u>(2,884,220)</u>
Total Net Position	<u>\$2,462,274</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,075,023
Property taxes receivable	69,386
Intergovernmental receivable	<u>117,397</u>
Total current assets	1,261,806
Non Current Assets:	
Capital assets	9,270,923
Less accumulated depreciation	<u>(2,392,176)</u>
Total non current assets	<u>6,878,747</u>
Total Assets	<u>\$ 8,140,553</u>
DEFERRED OUTFLOWS OF RESOURCES	813,511
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 0
Salaries & benefits payable	76,374
Current portion of long-term debt	<u>225,000</u>
Total current liabilities	301,374
Non Current Liabilities	
Net Pension Liability	4,560,139
Non current portion of long-term debt	<u>1,570,000</u>
Total non current liabilities	6,130,139
Total Liabilities	<u>6,431,513</u>
DEFERRED INFLOWS OF RESOURCES	260,191
NET POSITION	
Invested in capital assets, net of related debt	5,083,747
Restricted for:	
Debt service	0
Capital projects	15,619
Special reserve fund	229,952
Unrestricted	<u>(3,066,958)</u>
Total Net Position	<u>\$ 2,262,360</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes In Net Position			
Expenses	Charges For Service	Operating Grants/ Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$2,442,411	\$	\$	\$(2,442,411)
Special education	128,434			(128,434)
Vocational education	188,353		17,881	(170,472)
Other instruction	121,179		144,740	23,561
Total instruction	2,880,377		162,621	(2,717,756)
Support services				
Pupil services	562,962			(562,962)
General admin. services	263,162			(263,162)
School admin. services	253,805			(253,805)
Business services	107,168			(107,168)
Operation & maint. of plant	964,076			(964,076)
Pupil transportation services	316,812		191,327	(125,485)
Interest on long-term debt	45,402			(45,402)
Food services outlays	290,044	143,896	110,763	(35,385)
Extracurricular	185,941			(185,941)
Total support services	2,989,372	143,896	302,090	(2,543,386)
Total governmental activities	\$5,869,749	\$143,896	\$464,711	\$(5,261,142)

General Revenues

Taxes:	
Taxes levied for general purposes	1,248,935
Taxes levied for building	356,737
State aid not restricted for specific purposes	
Per pupil aid	3,705,190
Other state aid	420
Gain (Loss) on sales of Capital Assets	(1,217)
Interest income	3,475
Miscellaneous	147,516
Total general revenues	\$ 5,461,056
Changes in net position	\$ 199,914
Net position beginning of year,	\$ 2,262,360
Net position end of year	\$ 2,462,274

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes In Net Position			
Expenses	Charges For Service	Operating Grants/ Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$2,622,214	\$	\$	\$(2,622,214)
Special education	141,987			(141,987)
Vocational education	184,706		16,030	(168,676)
Other instruction	<u>162,359</u>		<u>186,077</u>	<u>23,718</u>
Total instruction	3,111,266		202,107	(2,909,159)
Support services				
Pupil services	412,107			(412,107)
General admin. services	344,507			(344,507)
School admin. services	271,288			(271,288)
Business services	102,276			(102,276)
Operation & maint. of plant	820,865			(820,865)
Pupil transportation services	306,191		208,212	(97,979)
Interest & fees on long-term debt	38,411			(38,411)
Food services outlays	290,951	140,993	104,886	(45,072)
Extracurricular	<u>174,645</u>		<u>313,098</u>	<u>(174,645)</u>
Total support services	<u>2,761,241</u>	<u>140,993</u>	<u>313,098</u>	<u>(2,307,150)</u>
Total governmental activities	<u>\$5,872,507</u>	<u>\$140,993</u>	<u>\$515,205</u>	<u>\$(5,216,309)</u>
 General Revenues				
Taxes:				
Taxes levied for general purposes				1,251,895
Taxes levied for building				356,655
State aid not restricted for specific purposes				
Per pupil aid				3,599,390
Other				3,100
Gain (Loss) on sales of Capital Assets				(108,680)
Interest income				4,746
Miscellaneous				<u>211,756</u>
Total general revenues				<u>5,318,862</u>
Changes in net position				102,553
Net position beginning of year				<u>2,159,807</u>
Net position end of year				<u>\$ 2,262,360</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	Major Funds				Total Govern- mental Funds
	General Fund	Special Revenue	Capital Projects	Debt Funds	
ASSETS:					
Cash and cash equivalents	\$1,202,898	\$229,952	\$ 83,756	\$ 0	\$1,516,606
Receivables:					
Taxes	62,854		18,198	0	81,052
Intergovernmental	101,726	0			101,726
TOTAL ASSETS	\$1,367,478	\$229,952	\$101,954	\$ 0	\$1,699,384
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities					
Accounts payable	\$ 0	\$	\$	\$	\$ 0
Salaries & benefits payables	88,484				88,484
Deferred Inflows of Resources					
Uncollected taxes	62,854		18,198	0	81,052
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	151,338		18,198	0	169,536
Fund Balances					
Fund Balances:					
Restricted:					
Restricted for debt service				0	0
Restricted for special revenue		229,952			229,952
Restricted for capital projects			83,756		83,756
Unassigned	1,216,140				1,216,140
TOTAL FUND BALANCES	1,216,140	229,952	83,756	0	1,529,848
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$1,367,478	\$229,952	\$101,954	\$ 0	\$1,699,384

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	Major Funds				Total Govern- mental Funds
	General Fund	Special Revenue	Capital Projects	Debt Funds	
ASSETS:					
Cash and cash equivalents	\$ 845,031	\$229,952	\$ 40	\$ 0	\$1,075,023
Receivables:					
Taxes	53,807		15,579		69,386
Intergovernmental	117,397				117,397
TOTAL ASSETS	\$1,016,235	\$229,952	\$ 15,619	\$ 0	\$1,261,806
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities					
Accounts payable	\$ 0	\$	\$	\$	\$ 0
Salaries & benefits payables	76,374				76,374
Deferred Inflows of Resources					
Uncollected taxes	53,807		15,579		69,386
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	130,181		15,579		145,760
Fund Balances					
Fund Balances:					
Restricted					
Restricted for debt service				0	0
Restricted for special revenue		229,952			229,952
Restricted for capital projects			40		40
Unassigned	886,054				886,054
TOTAL FUND BALANCES	886,054	229,952	40	0	1,116,046
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$1,016,235	\$229,952	\$ 15,619	\$ 0	\$1,261,806

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO DISTRICT-WIDE STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

Total fund balance-governmental funds \$1,529,848

Total net position reported for government activities in the statement of net position is different because:

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

Cost	\$9,236,593	
Accumulated Depreciation	<u>(2,652,005)</u>	
Net Capital Assets		6,584,588

Long term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities consisted of the following:

Bonds payable	(1,570,000)
---------------	-------------

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds	81,052
---	--------

Deferred Outflows of resources related to pensions	942,031
Net Pension liability	(5,139,545)
Deferred Inflows of resources related to pensions	<u>(275,046)</u>

Total net position-governmental activities **\$2,152,928**

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO DISTRICT-WIDE STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016

Total fund balance-governmental funds \$ 1,116,046

Total net position reported for government 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 assets in governmental funds.

Cost	\$9,270,923	
Accumulated Depreciation	<u>(2,392,176)</u>	
Net Capital Assets		6,878,747

Long term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities consisted of the following:

Bonds payable	(1,795,000)
---------------	-------------

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

69,386

Deferred Outflows of resources related to pensions	813,511
Net Pension Liability	(4,560,139)
Deferred Inflows of resources related to pensions	<u>(260,191)</u>

Total net position-governmental activities **\$ 2,262,360**

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Major Funds				Total Govern- mental Funds
	General Fund	Special Revenue	Capital Projects	Debt Funds	
Revenues:					
Local sources	\$1,313,723	\$143,896	\$ 83,716	\$270,402	\$1,811,737
State sources	3,914,818	1,747			3,916,565
Federal sources	144,740	109,016			253,756
Other sources	77,156	0	0	0	77,156
Total Revenues	<u>5,450,437</u>	<u>254,659</u>	<u>83,716</u>	<u>270,402</u>	<u>6,059,214</u>
Expenditures:					
Current					
Instruction:					
Regular	2,249,651	0	0	0	2,249,651
Special education	128,434				128,434
Vocational education	188,353				188,353
Other instruction	121,179				121,179
Total Instruction	<u>2,687,617</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,687,617</u>
Support Services:					
General admin. services	263,162				263,162
Operations & maintenance	758,838		0	0	758,838
Pupil transportation	265,973				265,973
School admin. services	253,805				253,805
Business services	107,168				107,168
Pupil services	562,962				562,962
Extracurricular	185,941				185,941
Food services outlay		290,044			290,044
Debt Service					
Principal retirement				225,000	225,000
Interest on long-term debt				45,402	45,402
Capital outlay		0	0	0	0
Total Support Services	<u>2,397,849</u>	<u>290,044</u>	<u>0</u>	<u>270,402</u>	<u>2,958,295</u>
Total Expenditures	<u>5,085,466</u>	<u>290,044</u>	<u>0</u>	<u>270,402</u>	<u>5,645,912</u>
Excess (deficiency) of					
Revenues over (under)					
Expenditures	364,971	(35,385)	83,716	0	413,302
OTHER FINANCIAL SOURCES (USES)					
Transfer from other fund		35,385		0	35,385
Sale of Asset	500				500
Transfer to other funds	(35,385)		0	0	(35,385)
TOTAL OTHER FINANCIAL SOURCES (USES)	(34,885)	35,385	0	0	500
Net change in fund balance	<u>330,086</u>	<u>0</u>	<u>83,716</u>	<u>0</u>	<u>413,802</u>
FUND BALANCE					
Beginning of year	<u>886,054</u>	<u>229,952</u>	<u>40</u>	<u>0</u>	<u>1,116,046</u>
End of year	<u>\$1,216,140</u>	<u>\$229,952</u>	<u>\$ 83,756</u>	<u>\$ 0</u>	<u>\$1,529,848</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Funds				Total Govern- mental Funds
	General Fund	Special Revenue	Capital Projects	Debt Funds	
Revenues:					
Local sources	\$1,329,894	\$140,993	\$ 173,171	\$ 181,915	\$ 1,825,973
State sources	3,826,731	2,924			3,829,655
Federal sources	186,077	101,962			288,039
Other sources	62,697	0	0	0	62,697
Total Revenues	<u>5,405,399</u>	<u>245,879</u>	<u>173,171</u>	<u>181,915</u>	<u>6,006,364</u>
Expenditures:					
Current					
Instruction:					
Regular	2,242,552	0	0	0	2,242,552
Special education	141,987				141,987
Vocational education	184,706				184,706
Other instruction	162,359				162,359
Total Instruction	<u>2,731,604</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,731,604</u>
Support Services:					
General admin. services	344,507				344,507
Operations & maintenance	679,110		0		679,110
Pupil transportation	246,651				246,651
School admin. services	271,288				271,288
Business services	102,276				102,276
Pupil services	412,107				412,107
Extracurricular	174,645				174,645
Food services outlay		290,951			290,951
Debt Service					
Principal retirement				155,000	155,000
Interest and other charges				26,915	26,915
Capital outlay	1,131,300	0	1,827,680	0	2,958,980
Total Support Services	<u>3,361,884</u>	<u>290,951</u>	<u>1,827,680</u>	<u>181,915</u>	<u>5,662,430</u>
Total Expenditures	<u>6,093,488</u>	<u>290,951</u>	<u>1,827,680</u>	<u>181,915</u>	<u>8,394,034</u>
Excess (deficiency) of					
Revenues over (under)					
Expenditures	(688,089)	(45,072)	(1,654,509)	0	(2,387,670)
OTHER FINANCIAL SOURCES (USES)					
Transfer from other fund		45,072	1,053,983		1,099,055
Bond issue proceeds				995,000	995,000
Premium on Bonds Issued				70,479	70,479
Bond Issuance Costs				(11,496)	(11,496)
Transfer to other funds	(45,072)	0	0	(1,053,983)	(1,099,055)
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>(45,072)</u>	<u>45,072</u>	<u>1,053,983</u>	<u>0</u>	<u>1,053,983</u>
Net change in fund balance	<u>(733,161)</u>	<u>0</u>	<u>(600,526)</u>	<u>0</u>	<u>(1,333,687)</u>
FUND BALANCE					
Beginning of year	<u>1,619,215</u>	<u>229,952</u>	<u>600,566</u>	<u>0</u>	<u>2,449,733</u>
End of year	<u>\$ 886,054</u>	<u>\$229,952</u>	<u>\$ 40</u>	<u>\$ 0</u>	<u>\$ 1,116,046</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH
 THE DISTRICT-WIDE STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balance-total governmental funds	\$ 413,802
<p>The change in net position reported for governmental activities in the statement of net activities is different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>	
Capital outlay	\$ 0
Depreciation and Amortization expense	<u>(292,442)</u>
Excess (Deficiency)of capital outlay over depreciation expense	(292,442)
Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reductions in debt in the government-wide financial statements.	225,000
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the government funds. These consist of Net change in deferred property taxes.	11,666
The net effect of sales transactions involving capital assets	(1,717)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities	309,346
Some expenses 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.	
Pension expense	<u>(465,741)</u>
Net change in net position of governmental activities	<u>\$ 199,914</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH
 THE DISTRICT-WIDE STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balance-total governmental funds \$(1,333,687)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$2,958,980	
Depreciation and Amortization expense	<u>(231,675)</u>	
Excess (Deficiency) of capital outlay over depreciation expense		2,727,305

Gain on the sale or disposal of capital assets reported in fund statements, but not reported in the Statement of Activities.	0
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Current year long-term debt principal payments reported as expenditures in the governmental fund financial statements are shown as reductions in debt in the government-wide financial statements.	155,000
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Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the government funds. These consist of Net change in deferred property taxes.	6,897
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Bond proceeds provide current financing resources to governmental funds, but issuing debt increases long term assets in the Statement of Net Assets. Proceeds from the issuance of debt are deducted from fund balance.	(995,000)
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The net effect of sales transactions involving capital assets.	(108,680)
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Contributions to the pension plan in the current fiscal year are not included in the statement of activities	306,243
--	---------

Some expenses 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 pension expense	<u>(655,525)</u>
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Net change in net position of governmental activities	<u>\$ 102,553</u>
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See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2017

	<u>Agency</u>
ASSETS:	
Cash and cash equivalents	<u>\$115,679</u>
Total Assets	<u>\$115,679</u>
LIABILITIES:	
Due to students	<u>\$115,679</u>
Total Liabilities	<u>\$115,679</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016

	<u>Agency</u>
ASSETS:	
Cash and cash equivalents	<u>\$136,759</u>
Total Assets	<u>\$136,759</u>
LIABILITIES:	
Due to students	<u>\$136,759</u>
Total Liabilities	<u>\$136,759</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

The Oakes Public School District No. 41 operates the public school in the town of Oakes, North Dakota. There is one school, which includes elementary, junior high, and high school.

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 the above criteria, there are no component units to be included within the Oakes Public School District No. 41 as a 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 government-wide financial statements apply Financial Accounting Standards Board (FASB) Statements and Interpretations, provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. 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

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Government-wide Financial Statements (Con't)

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. The government-wide financial statements do not include fiduciary funds nor component units that are fiduciary in nature.

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. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund (if any) is reported by type.

B. 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 focused 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. Fund balance represents the difference between the governmental fund assets and liabilities. The District's governmental funds are as follows:

General Fund - This fund should be used to account for and report all financial resources not accounted for and reported in another fund. The general operating fund is a major fund.

Special Revenue Fund - This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. In these statements, the special revenue fund consists of the Hot Lunch Fund and the Special Reserve Fund. The fund is a major fund.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

Capital Projects - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. The capital projects fund is also called the building fund, which is a major fund.

Debt Service Fund - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years, also should be reported in debt service funds. In these statements the debt service fund consists of the Debt Service Fund, which is a major fund.

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.

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 Student Activity Fund, which accounts for the financial transactions related to the student's activity programs.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

Government-Wide Financial Statements:

The government-wide financial statements use the economic resources measurement focus, as do the fiduciary fund financial statements. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental fund financial statements use the current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities and fund balances 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.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to the differences, 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 governmental funds.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared on the accrual basis of accounting, as are the Fiduciary Funds financial statements. 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 the 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 both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers all revenues available if they are collectible within 60 days after year end. Expenditures are generally recorded as the related fund liability is incurred.

All revenues are susceptible to accrual.

D. OTHER ACCOUNTING POLICIES

Revenue-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.

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

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

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.

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.

Deferred outflows and inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion - a pension related deferral and contributions made to the pension plan in the current fiscal year. The statement of financial position also reports 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 and so will not be recognized as revenue until then. The Board has one item that meet this criterion - pension related deferrals.

Budgets and Budgetary Accounting - The budget for the general fund is prepared on the cash basis. The District's board follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year for the general fund. The school board must adopt the final budget on or before August 15. The final budget must be filed with the county auditor by August 25.

The budget may be amended during the year by the Board, however, no amendment changing the taxes levied can be made after October 10. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

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

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Investments - Investments of the School District during the year ended June 30, 2017 and 2016, consisted of certificates of deposits stated at cost. 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, 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 assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated 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 are capitalized but not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on the straight-line basis. The District has established the following useful lives:

Buildings	40 years
Building improvements	20 years
Equipment	10 years
Computers and office equipment	3 to 5 years
Licensed Vehicles	5 to 7 years

Compensated Absences - Oakes Public School District No. 41 offers sick leave, emergency leave, personal leave, maternity leave, professional leave, jury duty and sabbatical leave to some or all classes of employees in varying degrees. For certified staff sick leave can accumulate to 100 days. It can be paid out at \$5 per day for every day of sick leave not used. For noncertified staff vacation leave is for 12 month employees. It can accumulate to 20 or 30 days. Reasonable estimation of the resulting liability cannot be met, and there is no accrual made for compensated absences. In any circumstances, the resulting liability is considered immaterial.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities 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.

Net Position - Net position represents the difference between assets and liabilities. Net position invested in capital assets net of debt, consists of the remaining undepreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset. Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Fund Equity - Fund Balance

Fund Equity - Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as Net position.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board through the adoption of a resolution. The School Board also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the School Board has authorized the District's director to assign fund balances.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

Unassigned - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order:

Committed
Assigned
Unassigned

The District has the authority to deviate from this policy if it is in the best interest of the District. There is no stabilization amounts. The District has not set a minimum fund balance.

Interfund 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 interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund activities within the District's governmental activities and its business - type activities is eliminated in the statement of activities.

Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the school board and are either unusual in nature or infrequent in occurrence.

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.

Note 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

Revenue recognition - property taxes - Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2017 and 2016. 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 Governmental 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.

Note 3 **CASH AND CASH EQUIVALENTS**

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities on the possession of an outside party. Deposits, other than with the Bank of North Dakota must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance. The District's board approves and designates a list of authorized depository institutions.

The following is a summary of the cash balances at June 30, 2017:

	Balance per Bank <u>Records</u>	In Transit <u>Items</u>	Balance per District <u>Records</u>
CHECKING ACCOUNTS			
Starion Bank Oakes, ND			
Public fund	\$ 59,552	\$(237,017)	\$ (177,465)
Petty cash	<u>1,580</u>	<u>0</u>	<u>1,580</u>
Total checking accounts	<u>\$ 61,132</u>	<u>\$(237,017)</u>	<u>\$ (175,885)</u>

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Note 3 CASH AND CASH EQUIVALENTS (CON'T)

CERTIFICATES OF DEPOSIT AND SAVINGS ACCOUNTS	<u>Rate</u>	<u>Amount</u>
Starion Bank Oakes, ND		
Money Market	.24%	\$ 596,178
First Community Credit Union Oakes, ND		
Progressive Savings	.08%	568,157
First State Bank Oakes, ND		
Money Market	.36%	<u>643,834</u>
Total Certificates of deposit and savings accounts		<u>1,808,169</u>
Total Cash		<u>\$1,632,284</u>
Cash consists of:		
General Fund		\$1,202,898
Special Reserve Fund		229,952
Capital Projects Fund		83,756
Debt Service Fund		0
Activity Fund		<u>115,678</u>
Total		<u>\$1,632,284</u>

The following is a summary of the cash balances at June 30, 2016:

	<u>Balance per Bank Records</u>	<u>In Transit Items</u>	<u>Balance per District Records</u>
CHECKING ACCOUNTS			
Starion Bank Oakes, ND			
Public fund	\$ 154,045	\$ (258,399)	\$ (104,354)
Petty cash	<u>1,530</u>	<u>0</u>	<u>1,530</u>
Total checking accounts	<u>\$ 155,575</u>	<u>\$ (258,399)</u>	<u>\$ (102,824)</u>

CERTIFICATES OF DEPOSIT AND SAVINGS ACCOUNTS	<u>Rate</u>	<u>Amount</u>
Starion Bank Oakes, ND		
Money Market	.03%	\$ 438,156
First Community Credit Union Oakes, ND		
Progressive Savings	.08%	501,290
First State Bank Oakes, ND		
Money Market	.36%	<u>375,160</u>
Total Certificates of deposit and savings accounts		<u>1,314,606</u>
Total Cash		<u>\$1,211,782</u>
Cash consists of:		
General Fund		\$ 845,031
Special Reserve Fund		229,952
Capital Projects Fund		40
Debt Service Fund		0
Activity Fund		<u>136,759</u>
Total		<u>\$1,211,782</u>

Note 3 **CASH AND CASH EQUIVALENTS (CON'T)**

Pledge of Securities by Depository - The amount of money on deposit at Starion Bank, Oakes, ND on June 30, 2017 was \$657,310. On June 30, 2017 the amount of securities Starion Bank, Oakes, ND had pledged as collateral along with insurance coverage for the deposits was \$1,272,490. All deposits are Category 1 with deposits insured or registered in the name of the District, or securities held by the District or its agent in its' name.

The amount of money on deposit at Starion Bank, Oakes, ND on June 30, 2016 was \$59,373. On June 30, 2016 the amount of securities Starion Bank, Oakes, ND had pledged as collateral along with insurance coverage for the deposits was \$1,248,912.

The amount of money on deposit at First State Bank, Oakes, ND on June 30, 2017 was \$643,834. On June 30, 2017 the amount of securities First State Bank, Oakes, ND had pledged as collateral along with insurance coverage for the deposits was \$716,645.

The amount of money on deposit at First State Bank, Oakes, ND on June 30, 2016 was \$375,160. On June 30, 2016 the amount of securities First State Bank, Oakes, ND had pledged as collateral along with insurance coverage for the deposits was \$644,261.

The amount of money on deposit at First Community Credit Union, Oakes, ND on June 30, 2017 and 2016 was \$568,157 and \$501,290 respectively. On June 30, 2017 and 2016 the amount of securities First Community Credit Union, Oakes, ND had pledged as collateral along with insurance coverage for the deposits was \$1,631,998 and \$1,338,111 respectively.

Credit Risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. State statutes authorize the District to invest in (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress; (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above; (3) Certificates of deposit fully insured by the federal deposit insurance corporation or by the state; (4) Obligations of the state. All investments are stated at cost.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer.

Note 4 TAXES RECEIVABLE AND INTERGOVERNMENTAL RECEIVABLE

Property Tax Receivable	<u>June 30, 2017</u>	<u>June 30, 2016</u>
General Fund	\$ 62,854	\$ 53,807
Building Fund	<u>18,198</u>	<u>15,579</u>
Total Property Tax Receivable	<u>\$ 81,052</u>	<u>\$ 69,386</u>
Intergovernmental Receivable	<u>June 30, 2017</u>	<u>June 30, 2016</u>
General Fund		
Title I	\$ 54,524	\$ 65,079
Title IIA	35,703	36,289
CTE	9,423	16,029
Title VI	<u>2,076</u>	<u> </u>
Total Due From Other Governments	<u>\$101,726</u>	<u>\$117,397</u>

Note 5 INTERFUND RECEIVABLES/PAYABLES

There was no interfund receivable or payable as of June 30, 2017 and 2016.

Note 6 CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2017 and 2016 was as follows:

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2016</u>
Governmental Activities				
Capital assets	\$6,454,943	\$2,958,980	\$143,000	\$9,270,923
Less Accumulated Depreciation				
Capital assets	2,194,821	231,675	34,320	2,392,176
Net Capital Assets for Governmental Activities	<u>\$4,260,122</u>	<u>\$2,727,305</u>	<u>\$108,680</u>	<u>\$6,878,747</u>
	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2017</u>
Governmental Activities				
Capital assets	\$9,270,923	\$ 0	\$ 34,330	\$9,236,593
Less Accumulated Depreciation				
Capital assets	2,392,176	292,442	32,613	2,652,005
Net Capital Assets for Governmental Activities	<u>\$6,878,747</u>	<u>\$ (292,442)</u>	<u>\$ 1,717</u>	<u>\$6,584,588</u>

Note 6 CAPITAL ASSETS (CON'T)

In the governmental activities section of the statement of activities, depreciation and amortization were charged to expense in the following governmental functions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Regular Instruction	\$ 36,365	\$ 30,380
Operation & maint. of plant	205,238	141,755
Pupil transportation	<u>50,839</u>	<u>59,540</u>
Total	<u>\$292,442</u>	<u>\$231,675</u>

Note 7 PAYABLES

Benefits payable and salaries payable consists of accruals for payroll and benefits for services received prior to June 30, 2017 and 2016. The balance was \$88,484 and \$76,374 respectively.

Note 8 DEFERRED INFLOWS OF RESOURCES

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

The balance of deferred inflows of resources at years end are comprised of the following:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows Of Resources</u>	
	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2017</u>	June 30, <u>2016</u>
Differences between expected and actual experience	\$ 30,380	\$ 38,775	\$ 27,017	\$
Changes in assumptions	434,434	467,566	29,457	35,278
Net difference between projected and actual earnings or pension plan investments	460,669			55,315
Changes in proportion and differences between employer contribution and proportionate share of contributions	16,548	927	218,572	169,598
Employer contributions subsequent to the measurement date	309,346	306,243		
Rounding difference within the schedule				
	<u>\$1,251,377</u>	<u>\$813,511</u>	<u>\$275,046</u>	<u>\$260,191</u>

Note 9 LONG TERM DEBT OBLIGATIONS ACTIVITY

The following is a summary of debt transactions of the District for the years ended June 30, 2017 and 2016.

Changes in Long-Term Liabilities

	Net Pension <u>Liability</u>	Bonds of 2015	Bonds of 2010	Bonds of 2014	Total <u>Debt</u>
Balance, July 1, 2015	\$3,883,021	\$ 0	\$130,000	\$825,000	\$4,838,021
Debt retired	0		(65,000)	(90,000)	(155,000)
Debt issued	677,118	995,000			1,672,118
Balance, June 30, 2016	4,560,139	995,000	65,000	735,000	6,355,139
Debt issued	579,406				579,406
Debt retired		(70,000)	(65,000)	(90,000)	(225,000)
Balance, June 30, 2017	5,139,545	925,000	0	645,000	6,709,545
Due within one year	\$ 0	\$ 95,000	\$ 0	\$ 90,000	\$ 185,000

Limited Tax Building Fund Bonds Series 2015

\$995,000 Limited Tax Bonds are due in varying semi-annual installments of \$70,000 to \$110,000 principal through Aug. 1, 2025. Interest is 3.0%. These bonds were originally issued to finance the new central offices.

General Obligation School Building Refunding Bonds of 2010

\$410,000 General Obligation Bonds are due in varying semi-annual installments of \$55,000 to \$65,000 principal through May 1, 2017. Interest is varying from 1.1% to 2.7%. These bonds have been paid off.

General Obligation School Building Refunding Bonds, Series 2014

\$825,000 General Obligation Bonds are due in varying semi-annual installments of \$90,000 to \$95,000 principal through August 1, 2023. Interest is varying from .6% to 2.2%. These bonds were issued to call the Bonds of 2008 for early redemption.

Note 9 LONG TERM DEBT OBLIGATIONS ACTIVITY (CON'T)

Debt maturities for the bonds are as follows:

Fiscal Year Ending June 30	<u>Bonds Payable of 2014</u>			<u>Bonds Payable of 2015</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total Bond</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Bond</u>
2018	\$ 10,580	\$ 90,000	\$100,580	\$ 26,325	\$ 95,000	\$ 121,325
2019	9,500	90,000	99,500	23,475	95,000	118,475
2020	8,420	90,000	98,420	20,550	100,000	120,550
2021	6,980	90,000	96,980	17,550	100,000	117,550
2022	5,130	95,000	100,130	14,475	105,000	119,475
2023-2026	4,180	190,000	194,180	26,100	430,000	456,100
Total	\$ 44,790	\$645,000	\$689,790	\$128,475	\$925,000	\$1,053,475

Note 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, auto, and inland marine coverage. The coverage by NDIRF is limited to losses of 1,000,000 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 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 11 NDTFFR

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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.

Note 11 **NDTFFR (CON'T)**

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 credits 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 of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Tier 1 Non-grandfathered

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

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.

Note 11 **NDTFFR (CON'T)**

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.

Member and Employer Contributions

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

Note 11 **NDTFFR (CON'T)**

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2017 and 2016, the Employer reported a liability of \$4,546,619 and \$4,164,185 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016, the Employer's proportion was .310337 percent, which was a decrease of .008061 from its proportion measured as of July 1, 2015.

For the years ended June 30, 2017 and 2016, the Employer recognized pension expense of \$95,125 and \$260,973. At June 30, 2017 and 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>	
	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2017</u>	June 30, <u>2016</u>
Differences between expected and actual experience	\$ 21,473	\$ 27,288	\$ 21,527	\$
Changes of assumptions	379,774	467,566		
Net difference between projected and actual earnings on pension plan investments	377,947			46,957
Changes in proportion and differences between employer contributions and proportionate share of contributions			156,980	91,602
Employer contributions subsequent to the measurement date	<u>257,847</u>	<u>257,083</u>		
Total	<u>\$1,037,041</u>	<u>\$751,937</u>	<u>\$178,507</u>	<u>\$138,559</u>

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Note 11 NDTFFR (CON'T)

\$257,847 and \$257,083 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 years ended June 30, 2018 and 2017.

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

Year ended June 30:

2018	\$111,549
2019	111,549
2020	203,901
2021	146,079
2022	44,638
Thereafter	(17,028)

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 14.5%, 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 disable 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%.

Note 11 **NDTEFR (CON'T)**

- 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	7.3%
Global Fixed Income	23%	0.9%
Global Real Assets	18%	5.3%
Cash Equivalents	1%	0.0%

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. 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:

Note 11 NDTFFR (CON'T)

	Current Discount		
	1% Decrease (6.75%)	Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$5,897,307	\$4,546,619	\$3,421,624

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

Note 12 NDPERS

Summary of Significant Accounting Policies

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 additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

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

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

Note 12 **NDPERS (CON'T)**

Pension Benefits

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

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

Death and Disability Benefits

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

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

Note 12 NDPERS (CON'T)

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2017 and 2016, the Employer reported a liability of \$592,926 and \$395,954 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the Employer's proportion was .060838 percent, which was an increase of .002608 percent from its proportion measured as of June 30, 2015.

Note 12 **NDPERS (CON'T)**

For the year ended June 30, 2017 and 2016, the Employer recognized pension expense of \$66,625 and \$22,269. At June 30, 2017 and 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>	
	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2017</u>	June 30, <u>2016</u>
Differences between expected and actual experience	\$ 8,907	\$11,487	\$ 5,490	\$ 35,278
Changes of assumptions	54,660		29,457	
Net difference between projected and actual earnings on pension plan investments	82,722			8,358
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,548	927	61,592	77,996
Employer contributions subsequent to the measurement date	<u>51,499</u>	<u>49,160</u>		
Total	<u>\$214,336</u>	<u>\$61,574</u>	<u>\$96,539</u>	<u>\$121,632</u>

\$51,499 and \$49,160 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 ended June 30, 2018 and 2017.

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

Year ended June 30:

2018	\$ 7,994
2019	7,994
2020	26,040
2021	12,676
2022	11,594
Thereafter	0

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:

OAKES PUBLIC SCHOOL DISTRICT NO. 41
NOTES TO BASIC FINANCIAL STATEMENTS
Page 26

Note 12 **NDPERS (CON'T)**

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 with ages 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 are summarized in the following table:

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

Note 12 **NDPERS (CON'T)**

Discount rate. The discount rate used to measure the total pension liability was 8 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 contribution 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.

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

	Current Discount		
	1% Decrease (7%)	Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$841,054	\$592,926	\$383,865

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 13 **TRANSFERS**

The general fund transferred \$35,385 and \$45,072 for the years ending June 30, 2017 and 2016 respectively to the school lunch fund. The transfer from the general fund to the school lunch fund was made to cover indirect cost for the current year that relate to school lunch activities. These activities include cook's payroll and related expense. There is nothing due to or due from any of the funds. The debt service fund transferred \$1,053,983 to the capitol projects fund for the year ended June 30, 2016.

Note 14 FEDERAL AND STATE GRANTS

In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of granting authorities, the purpose of which is to ensure compliance with conditions precedent to granting the funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material to the overall financial position of the district as of June 30, 2017 and 2016.

Note 15 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

The District's Special Revenue Fund actual expenditures did exceed budgeted appropriations on June 30, 2017 and 2016, by \$481 and \$19,594 respectively. The District's Capital Projects Fund actual expenditures exceeded budgeted appropriations on June 30, 2017, by \$196,680. The Debt Service Fund actual expenditures exceeded budgeted appropriations on June 30, 2017, by \$11,415.

Note 16 NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2017 and 2016 were \$24,221 and \$26,633 respectively.

Note 17 SUBSEQUENT EVENTS

The School District is in the process of an agreement with Apple Financial Services for Apple computers.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
Schedules of Required Supplementary Information
Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years

	<u>2017</u>
1. Employer's proportion of the net pension liability (asset)	.31033702%
2. Employer's proportionate share of the net pension liability (asset)	\$4,546,619
3. Employer's covered-employee payroll	\$2,016,337
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.489%
5. Plan fiduciary net position as a percentage of the total pension liability	59.2%

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

	<u>2017</u>
Statutorily required contribution	\$ 257,083
Contributions in relation to the statutorily required contribution	\$ (257,083)
Contribution deficiency (excess)	\$ 0.00
Employer's covered-employee payroll	\$2,016,337
Contributions as a percentage of covered-employee payroll	12.75%

Notes to Required Supplementary information
for the Years Ended June 30, 2017 and 2016

Changes of assumption. 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.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
Schedules of Required Supplementary Information
Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
 Last 10 Fiscal Years

	<u>2017</u>
Employer's proportion of the net pension liability (asset)	.060838%
Employer's proportionate share of the net pension liability (asset)	\$592,926
Employer's covered-employee payroll	\$613,104
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	.9670888%
Plan fiduciary net position as a percentage of the total pension liability	70.46%

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

	<u>2017</u>
Statutorily required contribution	\$ 43,653
Contributions in relation to the statutorily required contribution	\$(43,653)
Contribution deficiency (excess)	\$ 0.00
Employer's covered-employee payroll	\$613,104
Contributions as a percentage of covered-employee payroll	7.12%

Notes to Required Supplementary Information
for the Years Ended June 30, 2017 and 2016

Changes of assumptions.

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 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.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	General Fund Actual	Variances with Final Budget Positive (Negative)
Revenues:				
Local sources	\$1,341,122	\$1,341,122	\$1,313,723	\$ (27,399)
State sources	3,938,268	3,938,268	3,914,818	(23,450)
Federal sources	124,564	124,564	144,740	20,176
Other sources	<u>55,000</u>	<u>55,000</u>	<u>77,156</u>	<u>22,156</u>
Total Revenues	<u>5,458,954</u>	<u>5,458,954</u>	<u>5,450,437</u>	<u>(8,517)</u>
Expenditures:				
Current				
Instruction:				
Regular	2,300,819	2,300,819	2,249,651	51,168
Special education	145,612	145,612	128,434	17,178
Vocational education	188,353	188,353	188,353	0
Other instruction	<u>124,564</u>	<u>124,564</u>	<u>121,179</u>	<u>3,385</u>
Total Instruction	<u>2,759,348</u>	<u>2,759,348</u>	<u>2,687,617</u>	<u>71,731</u>
Support services:				
General admin. services	289,183	289,183	263,162	26,021
Operations & maint.	849,479	849,479	758,838	90,641
Pupil transportation	294,553	294,553	265,973	28,580
School admin. services	260,922	260,922	253,805	7,117
Business services	109,570	109,570	107,168	2,402
Pupil services	616,734	616,734	562,962	53,772
Extracurricular	216,877	216,877	185,941	30,936
Debt Service				
Principal retirement				
Interest long-term debt				
Capital outlay			0	
Total Support Services	<u>2,637,318</u>	<u>2,637,318</u>	<u>2,397,849</u>	<u>239,469</u>
Total Expenditures	<u>5,396,666</u>	<u>5,396,666</u>	<u>5,085,466</u>	<u>311,200</u>
Excess (deficiency) of Revenues over (under) Expenditures	62,288	62,288	364,971	302,683
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	20,000	20,000		(20,000)
Sale of Asset	1,000	1,000	500	(500)
Transfer to other funds	<u>(63,117)</u>	<u>(63,117)</u>	<u>(35,385)</u>	<u>27,732</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	(42,117)	(42,117)	(34,885)	7,232
Net change in fund balance	<u>20,171</u>	<u>20,171</u>	<u>330,086</u>	<u>309,915</u>
FUND BALANCE				
Beginning of year	886,054	886,054	886,054	0
End of year	<u>\$ 906,225</u>	<u>\$ 906,225</u>	<u>\$1,216,140</u>	<u>\$ 309,915</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	General Fund Actual	Variances with Final Budget Positive (Negative)
Revenues:				
Local sources	\$1,326,122	\$1,326,122	\$1,329,894	\$ 3,772
State sources	3,864,189	3,864,189	3,826,731	(37,458)
Federal sources	162,359	162,359	186,077	23,718
Other sources	<u>55,000</u>	<u>55,000</u>	<u>62,697</u>	<u>7,697</u>
Total Revenues	<u>5,407,670</u>	<u>5,407,670</u>	<u>5,405,399</u>	<u>(2,271)</u>
Expenditures:				
Current				
Instruction:				
Regular	2,291,573	2,291,573	2,242,552	49,021
Special education	125,889	125,889	141,987	(16,098)
Vocational education	182,000	182,000	184,706	(2,706)
Other instruction	<u>162,359</u>	<u>162,359</u>	<u>162,359</u>	<u>0</u>
Total Instruction	<u>2,761,821</u>	<u>2,761,821</u>	<u>2,731,604</u>	<u>30,217</u>
Support services:				
General admin. services	319,460	319,460	344,507	(25,047)
Operations & maint.	663,536	663,536	679,110	(15,574)
Pupil transportation	332,979	332,979	246,651	86,328
School admin. services	271,859	271,859	271,288	571
Business services	106,958	106,958	102,276	4,682
Pupil services	514,072	514,072	412,107	101,965
Extracurricular	200,000	200,000	174,645	25,355
Capital outlay	<u>1,171,376</u>	<u>1,171,376</u>	<u>1,131,300</u>	<u>40,076</u>
Total Support Services	<u>3,580,240</u>	<u>3,580,240</u>	<u>3,361,884</u>	<u>218,356</u>
Total Expenditures	<u>6,342,061</u>	<u>6,342,061</u>	<u>6,093,488</u>	<u>248,573</u>
Excess (deficiency) of Revenues over (under) Expenditures	(934,391)	(934,391)	(688,089)	246,302
OTHER FINANCING SOURCES (USES)				
Sales of Assets	1,000	1,000		(1,000)
Transfer from other funds	134,976	134,976		(134,976)
Transfer to other funds	<u>(65,000)</u>	<u>(65,000)</u>	<u>(45,072)</u>	<u>19,928</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	70,976	70,976	(45,072)	(116,048)
Net change in fund balance	<u>(863,415)</u>	<u>(863,415)</u>	<u>(733,161)</u>	<u>130,254</u>
FUND BALANCE				
Beginning of year	<u>1,619,215</u>	<u>1,619,215</u>	<u>1,619,215</u>	<u>0</u>
End of year	<u>\$ 755,800</u>	<u>\$ 755,800</u>	<u>\$ 886,054</u>	<u>\$ 130,254</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
 BUDGETARY COMPARISON SCHEDULE
 SPECIAL REVENUE FUND
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Budgeted Amounts Original & Final	Special Revenue Fund Actual	Variance Positive (Negative) to Actual Budget	Budgeted Amounts Original & Final	Special Revenue Fund Actual	Variance Positive (Negative) to Actual Budget
Revenues:						
Local sources	\$147,000	\$143,896	\$ (3,104)	\$134,500	\$140,993	\$ 6,493
State sources	2,900	1,747	(1,153)	2,000	2,924	924
Federal sources	76,000	109,016	33,016	76,000	101,962	25,962
Other sources	0	0	0	0	0	0
Total Revenues	<u>225,900</u>	<u>254,659</u>	<u>28,759</u>	<u>212,500</u>	<u>245,879</u>	<u>33,379</u>
Expenditures:						
Current						
Instruction:						
Regular						
Special education						
Vocational education						
Other instruction	0	0	0	0	0	0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Support services:						
General admin. services						
Operations & maint.						
Pupil transportation						
School admin. services						
Business services						
Pupil services						
Food services outlay	289,563	290,044	(481)	271,357	290,951	(19,594)
Debt Service						
Principal						
Interest						
Capital outlay						
Total Support Services	<u>289,563</u>	<u>290,044</u>	<u>(481)</u>	<u>271,357</u>	<u>290,951</u>	<u>(19,594)</u>
Total Expenditures	<u>289,563</u>	<u>290,044</u>	<u>(481)</u>	<u>271,357</u>	<u>290,951</u>	<u>(19,594)</u>
Excess (deficiency) of Revenues over (under) Expenditures	(63,663)	(35,385)	28,278	(58,857)	(45,072)	13,785
OTHER FINANCIAL SOURCES (USES)						
Transfer from funds	63,663	35,385	(28,278)	58,857	45,072	(13,785)
Transfer to other funds						
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>63,663</u>	<u>35,385</u>	<u>(28,278)</u>	<u>58,857</u>	<u>45,072</u>	<u>(13,785)</u>
Net change in fund balance	0	0	0	0	0	0
FUND BALANCE JULY 1	<u>229,952</u>	<u>229,952</u>	<u>0</u>	<u>229,952</u>	<u>229,952</u>	<u>0</u>
FUND BALANCE JUNE 30	<u>\$229,952</u>	<u>\$229,952</u>	<u>\$ 0</u>	<u>\$229,952</u>	<u>\$229,952</u>	<u>\$ 0</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Budgeted Amounts Original & Final	Capital Projects Fund Actual	Variance Positive (Negative) to Actual	Budgeted Amounts Original & Final	Capital Projects Fund Actual	Variance Positive (Negative) to Actual
Revenues:						
Local sources	\$95,685	\$83,716	\$(11,969)	\$ 192,190	\$ 173,171	\$ (19,019)
State sources						
Federal sources						
Other sources						
Total Revenues	<u>95,685</u>	<u>83,716</u>	<u>(11,969)</u>	<u>192,190</u>	<u>173,171</u>	<u>(19,019)</u>
Expenditures:						
Current						
Instruction:						
Regular						
Special education						
Vocational education						
Other instruction	0	0	0	0		0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
Support services:						
General admin. services						
Operations & maint.						
Pupil transportation						
School admin. services						
Business services						
Pupil services						
Food services outlay						
Debt Service						
Principal						
Interest						
Capital outlay				1,631,000	1,827,680	(196,680)
Total Support Services				<u>1,631,000</u>	<u>1,827,680</u>	<u>(196,680)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,631,000</u>	<u>1,827,680</u>	<u>(196,680)</u>
Excess (deficiency) of						
Revenues over (under)						
Expenditures	95,685	83,716	(11,969)	(1,438,810)	(1,654,509)	(215,699)
OTHER FINANCIAL SOURCES (USES)						
Transfer from funds				1,000,000	1,053,983	53,983
Transfer to other funds	0	0				
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>		<u>1,000,000</u>	<u>1,053,983</u>	<u>53,983</u>
Net change						
in fund balance	95,685	83,716	(11,969)	(438,810)	(600,526)	(161,716)
FUND BALANCE JULY 1	40	40	0	600,566	600,566	0
FUND BALANCE JUNE 30	<u>\$95,725</u>	<u>\$83,756</u>	<u>\$(11,969)</u>	<u>\$ 161,756</u>	<u>\$ 40</u>	<u>\$(161,716)</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
 BUDGETARY COMPARISON SCHEDULE
 DEBT FUND
 FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Budgeted Amounts Original & Final	Debt Fund Actual	Variance Positive (Negative) Budget to Actual	Budgeted Amounts Original & Final	Debt Fund Actual	Variance Positive (Negative) Budget to Actual
Revenues:						
Local sources	\$266,945	\$270,402	\$ 3,457	\$ 170,440	\$ 181,915	\$ 11,475
State sources						
Federal sources						
Other sources						
Total Revenues	<u>266,945</u>	<u>270,402</u>	<u>3,457</u>	<u>170,440</u>	<u>181,915</u>	<u>11,475</u>
Expenditures:						
Current						
Instruction:						
Regular						
Special education						
Vocational education						
Other instruction	0	0	0	0	0	0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Support services:						
General admin. services						
Operations & maint.						
Pupil transportation						
School admin. services						
Business services						
Pupil services						
Food services outlay						
Debt Service						
Principal	230,000	225,000	(5,000)	155,000	155,000	0
Interest	36,945	45,402	8,457	15,440	26,915	(11,475)
Capital outlay						
Total Support Services	<u>266,945</u>	<u>270,402</u>	<u>3,457</u>	<u>170,440</u>	<u>181,915</u>	<u>(11,475)</u>
Total Expenditures	<u>266,945</u>	<u>270,402</u>	<u>3,457</u>	<u>170,440</u>	<u>181,915</u>	<u>(11,475)</u>
Excess (deficiency) of Revenues over (under) Expenditures	0	0	0	0	0	0
OTHER FINANCIAL SOURCES (USES)						
Transfer from funds	0	0	0			
Bond Issue Proceeds				1,000,000	995,000	(5,000)
Premium Bonds Issued					70,479	70,479
Bond Issuance Costs					(11,496)	(11,496)
Transfer to other funds				(1,000,000)	(1,053,983)	(53,983)
TOTAL OTHER FINANCIAL SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	0	0	0	0	0	0
FUND BALANCE JULY 1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE JUNE 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See the accompanying notes to the basic financial statements.

OAKES PUBLIC SCHOOL DISTRICT NO. 41
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2017 AND 2016

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

School district taxes must be levied by the governing board on or before August 15. The taxes levied must be certified to the county auditor by August 25. The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

Note 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The governing board did not have any amendments to the school district's budget for the years ending June 30, 2017 and 2016.

<u>General Fund</u>	<u>Original</u>	<u>Amended</u>	<u>Change</u>
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**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 President and Board
Oakes Public School District No. 41
Oakes, 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 Oakes Public School District No. 41, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Oakes Public School District No. 41's basic financial statements and have issued our report thereon dated August 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oakes Public School District No. 41's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oakes Public School District No. 41's internal control. Accordingly, we do not express an opinion on the effectiveness of Oakes Public School District No. 41's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

SEGREGATION OF DUTIES

Condition - Oakes Public School District No. 41 has one business manager for most accounting functions.

Criteria - There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the District.

Effect - There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risks of misstatement of the District's financial condition.

Recommendation - Due to the size of the District, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Client Response - No response is considered necessary. The superintendent does see the financial information before the business manager receives it. A second individual is going to work with the business manager to enter financial information.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.

CONTROLS OVER THE FINANCIAL REPORTING PROCESS

Condition - The business manager has full controls over the computer's financial reporting process.

Criteria - For effective internal controls over financial reporting you should split up the controls.

Effect - He has full controls to initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Recommendation - The business manager having full controls over the computer's financial reporting process is common in an entity this size. The Management and the Board need to continually monitor the financial reporting process, especially since there is only one business manager.

Client Response - Due to the size of the District, it is not feasible to split up the controls. The Board will continue to monitor this condition. The superintendent will also continue to monitor the status of funds in the District, providing regular monthly updates to the Board.

PREPARING FINANCIAL STATEMENTS - DESIGN DEFICIENCY

Condition - Management has not identified risks to the preparation of reliable financial statements.

Criteria - The framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the District's audited financial statements and then should determine how those identified risks should be managed.

Effect - Failure to design effective controls over the preparation of the financial statements would not prevent or detect material misstatements, including footnote disclosure.

Recommendation - The Board and management should document their identification of risks to the preparation of financial statements.

Client Response - Due to the size of the District, the design of the preparation of financial statements is not changing. The board will continue to work towards identifying the risks.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakes Public School District No. 41's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Oakes Public School District No. 41, in a separate letter dated August 24, 2017.

Report on Internal Control and Compliance
Oakes Public School District No. 41
Oakes, North Dakota
Page 4

Oakes Public School District No. 41's Response to Findings

Oakes Public School District No. 41's response to the findings identified in our audit is described previously. Oakes Public School District No. 41's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

V. Nelson CPA, Ltd.

V. Nelson CPA, Ltd.
Oakes, North Dakota
August 24, 2017



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August 24, 2017

To the Board of Education
Oakes Public School District No. 41
Oakes, North Dakota

MANAGEMENT LETTER

During completion of our audits of the Oakes Public School District No. 41 for the years ended June 30, 2017 and 2016, certain observations were made of various policies of the district.

The matters included herein are presented as a matter of record and for your further consideration. This letter is presented to identify areas which should be subjected to your review. You will determine the final course of action to pursue.

1. Accrual Accounting. Generally Accepted Accounting Principles (GAAP) for governmental units requires the modified accrual basis of accounting for all governmental funds. Revenues should be recognized when received, except year-end adjustments are made for material revenues determined to be both measurable and available as net current assets. We recommend the school district continue recording revenue and expenditure adjustments at year end, if necessary, to ensure that all external reporting is based on a modified accrual basis of accounting. We are available to help with the adjustments.

2. Accounting Personnel. The school district has one business manager. He handles the accounting fund areas (i.e. General, Building, Special Revenue and Activity funds). He collect monies, issue receipts, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledgers and prepare respective financial reports and statements. Due to the size of the entity, it is not feasible to obtain any more separation of duties and therefore the degree of effective internal controls is severely limited.

3. Bank Statements & Reconciliation. A board member or superintendent should initial the bank statement reconciliation. This would be evidence that someone is monitoring the bank transactions and reconciliation.

4. Minutes. The minutes should state the approval of the Audit Report and the contract for the new superintendent.

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the governing board, is a matter of public record.

V. Nelson CPA, LTD.

Oakes, North Dakota

Versella Nelson CPA

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Communication with those Charged with Governance at the Conclusion of the Audit fax(701)742-3376

August 24, 2017

To the Board of Education
Oakes Public School District No. 41
Oakes, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakes Public School District No. 41 for the years ended June 30, 2017 and 2016. Professional standards require that we provide you with information about our responsibilities under Generally Accepted Auditing Standards (and if applicable Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 23, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Oakes Public School District No. 41 are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended June 30, 2017 and 2016. We noted no transactions entered into by Oakes Public School District No. 41 during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 24, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Oakes Public School District No. 41's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to budgetary comparison information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Oakes Public School District No. 41 and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the governing board, is a matter of public record. We would be happy to meet with you and any members of your staff to discuss any of the items in this letter in more detail if you so desire.

Very truly yours,

V. Nelson CPA, Ltd.

V. Nelson CPA, Ltd.
Oakes, North Dakota

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