



Financial Statements
June 30, 2014 and 2013

**Center-Stanton Public School
District No. 1**

Center-Stanton Public School District No. 1

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Center-Stanton Public School District No. 1
School District Officials
June 30, 2014 and 2013

Cynthia Berger	Board President
Loren Henke	Vice President
Stacey Olander	Board Member
Richard Schmidt	Board Member
Jim Wahlman	Board Member
Curt Pierce	Superintendent
Jacob Erhardt	Business Manager



Independent Auditor's Report

School Board
Center-Stanton Public School District No. 1
Center, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center-Stanton Public School District No. 1, Center, North Dakota, as of and for the years ended June 30, 2014 and 2013, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Center-Stanton Public School District No. 1, as of June 30, 2014 and 2013, 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**

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 33-35 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center-Stanton Public School District No. 1's financial statements. The School District Officials listing is presented for purposes of additional analysis and is not a required part of the financial statements.

The School District Officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014 on our consideration of Center-Stanton Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Center-Stanton Public School District No. 1's internal control over financial reporting and compliance.

Eide Sallee LLP

Bismarck, North Dakota
November 18, 2014

Center-Stanton Public School District No. 1
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Cash and investments	\$ 1,436,444
Taxes receivable	25,679
Intergovernmental receivables	145,585
Inventories	1,166
Capital assets, not being depreciated	
Land	376,000
Construction in progress	262,907
Capital assets, net of accumulated depreciation	
Buildings	1,507,160
Fixtures	115,401
Vehicles	311,848
Equipment	136,821
Total capital assets	2,710,137
Total assets	\$ 4,319,011
Liabilities	
Accounts payable	\$ 87,037
Long-term liabilities	
Due within one year	
Capital lease payable	3,648
Tax-exempt note payable	50,847
Compensated absences	5,000
Due after one year	
Capital lease payable	10,336
Tax-exempt note payable	556,556
Housing incentives payable	6,078
Compensated absences	61,814
Total liabilities	781,316
Net Position	
Net investment in capital assets	2,088,750
Restricted for	
Building fund	104,351
Unrestricted	1,344,594
Total Net Position	3,537,695
Total liabilities and net position	\$ 4,319,011

The accompanying notes are an integral part of these financial statements

Center-Stanton Public School District No. 1
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and investments	\$ 1,248,052
Taxes receivable	75,122
Intergovernmental receivables	160,725
Inventories	1,166
Capital assets, not being depreciated	
Land	7,000
Capital assets, net of accumulated depreciation	
Buildings	1,542,874
Vehicles	265,276
Equipment	164,995
Total capital assets	1,980,145
Total assets	\$ 3,465,210
Liabilities	
Accounts payable	\$ 13,917
Long-term liabilities	
Due within one year	
Capital lease payable	3,648
Housing incentives payable	24,207
Compensated absences	5,000
Due after one year	
Capital lease payable	13,984
Housing incentives payable	5,066
Compensated absences	44,079
Total liabilities	109,901
Net Position	
Net investment in capital assets	1,962,513
Restricted for	
Building fund	77,491
Unrestricted	1,315,305
Total Net Position	3,355,309
Total liabilities and net position	\$ 3,465,210

Center-Stanton Public School District No. 1
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Regular instruction	\$ 1,677,291	\$ 22,254	\$ 95,228	\$ 369,000	\$ (1,190,809)
Federal programs	118,242		123,240		4,998
Vocational education	101,096		27,783		(73,313)
District wide services	58,901				(58,901)
Tuition and assessments	53,374				(53,374)
Administration	246,955				(246,955)
Operations and maintenance	758,973				(758,973)
Student transportation	184,990		147,112		(37,878)
Student activities	4,146				(4,146)
Community services	26,761				(26,761)
Food services	234,379	64,810	60,096		(109,473)
Total governmental activities	\$ 3,465,108	\$ 87,064	\$ 453,459	\$ 369,000	(2,555,585)
General Revenues					
Taxes					
Property taxes; levied for general purposes					545,714
Property taxes; levied for building purposes					39,812
Coal severance and conversion taxes					296,522
Telecommunications and financial institution taxes					45,490
State aid - not restricted to specific program					1,792,772
Earnings on investments					2,191
Miscellaneous revenue					15,470
Total General Revenues					2,737,971
Change in Net Position					182,386
Net Position - July 1					3,355,309
Net Position - June 30					\$ 3,537,695

The accompanying notes are an integral part of these financial statements

Center-Stanton Public School District No. 1
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Regular instruction	\$ 1,570,998	\$ 13,316	\$ 5,652	\$ (1,552,030)
Federal programs	109,049		104,015	(5,034)
Vocational education	110,696		35,960	(74,736)
District wide services	71,534			(71,534)
Tuition and assessments	142,646			(142,646)
Administration	276,978			(276,978)
Operations and maintenance	292,364			(292,364)
Student transportation	167,093		145,191	(21,902)
Student activities	129,755			(129,755)
Community services	25,940			(25,940)
Food services	186,691	58,801	52,864	(75,026)
Total governmental activities	\$ 3,083,744	\$ 72,117	\$ 343,682	(2,667,945)
General Revenues				
Taxes				
				936,808
				40,277
				324,012
				37,423
				1,531,159
				2,767
				25,529
				(1,517)
Total General Revenues				2,896,458
Change in Net Position				228,513
Net Position - July 1				3,126,796
Net Position - June 30				\$ 3,355,309

The accompanying notes are an integral part of these financial statements

Center-Stanton Public School District No. 1
Balance Sheet – Governmental Funds
June 30, 2014

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,252,996	\$ 169,942	\$ 13,506	\$ 1,436,444
Taxes receivable	24,060	1,619		25,679
Intergovernmental receivables	145,076	409	100	145,585
Inventories			1,166	1,166
Total assets	\$ 1,422,132	\$ 171,970	\$ 14,772	\$ 1,608,874
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 87,037	\$ -	\$ -	\$ 87,037
Total liabilities	87,037	-	-	87,037
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	24,060	1,619	-	25,679
Total Deferred Inflows of Resources	24,060	1,619	-	25,679
Fund balances				
Nonspendable:				
Inventories			1,166	1,166
Restricted for:				
Building fund		104,351		104,351
Committed for:				
Housing incentives	14,153			14,153
Assigned for:				
Building fund		66,000		66,000
Food services			13,606	13,606
Unassigned	1,296,882			1,296,882
Total fund balances	1,311,035	170,351	14,772	1,496,158
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,422,132	\$ 171,970	\$ 14,772	\$ 1,608,874

The accompanying notes are an integral part of these financial statements

Center-Stanton Public School District No. 1
Balance Sheet – Governmental Funds
June 30, 2013

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 1,144,129	\$ 92,004	\$ 11,919	\$ 1,248,052
Taxes receivable	68,557	6,565		75,122
Intergovernmental receivables	160,045	487	193	160,725
Inventories			1,166	1,166
Total assets	<u>\$ 1,372,731</u>	<u>\$ 99,056</u>	<u>\$ 13,278</u>	<u>\$ 1,485,065</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 13,917	\$ -	\$ -	\$ 13,917
Total liabilities	<u>13,917</u>	<u>-</u>	<u>-</u>	<u>13,917</u>
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	68,557	6,565	-	75,122
Total Deferred Inflows of Resources	<u>68,557</u>	<u>6,565</u>	<u>-</u>	<u>75,122</u>
Fund balances				
Nonspendable:				
Inventories			1,166	1,166
Restricted for:				
Building fund		77,491		77,491
Committed for:				
Housing incentives	34,338			34,338
Assigned for:				
Building fund		15,000		15,000
Food services			12,112	12,112
Unassigned	1,255,919			1,255,919
Total fund balances	<u>1,290,257</u>	<u>92,491</u>	<u>13,278</u>	<u>1,396,026</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,372,731</u>	<u>\$ 99,056</u>	<u>\$ 13,278</u>	<u>\$ 1,485,065</u>

The accompanying notes are an integral part of these financial statements

Center-Stanton Public School District No. 1
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2014

Total fund balances for governmental funds		\$ 1,496,158
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 are not reported in the governmental funds		
Cost of capital assets	\$ 4,011,562	
Less accumulated depreciation	<u>(1,301,425)</u>	
Net capital assets		2,710,137
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds		
		25,679
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at June 30, 2014 are:		
Capital lease payable	\$ (13,984)	
Tax-exempt note payable	(607,403)	
Housing incentives payable	(6,078)	
Compensated absences	<u>(66,814)</u>	
Total long-term liabilities		<u>(694,279)</u>
Total net position of governmental activities		<u>\$ 3,537,695</u>

Center-Stanton Public School District No. 1
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2013

Total fund balances for governmental funds \$ 1,396,026

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 are not reported in the governmental funds

Cost of capital assets	\$ 3,211,421	
Less accumulated depreciation	<u>(1,231,276)</u>	
Net capital assets		1,980,145

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

75,122

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.

Balances at June 30, 2013 are:

Capital lease payable	\$ (17,632)	
Housing incentives payable	(29,273)	
Compensated absences	<u>(49,079)</u>	
Total long-term liabilities		<u>(95,984)</u>

Total net position of governmental activities \$ 3,355,309

Center-Stanton Public School District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 629,289	\$ 39,196	\$ 65,592	\$ 734,077
County sources	345,205			345,205
State sources	2,059,242			2,059,242
Federal sources	121,412		65,577	186,989
Other sources	2,424			2,424
Total revenues	<u>3,157,572</u>	<u>39,196</u>	<u>131,169</u>	<u>3,327,937</u>
Expenditures				
Current				
Regular instruction	1,659,556			1,659,556
Federal programs	118,242			118,242
Vocational education	101,096			101,096
District wide services	58,901			58,901
Tuition and assessments	53,374			53,374
Administration	270,150			270,150
Operations and maintenance	701,906	12,336		714,242
Student transportation	181,181			181,181
Student activities	4,146			4,146
Community services	26,761			26,761
Food services	71,095		94,675	165,770
Capital outlay	478,141			478,141
Debt service				
Principal	3,648			3,648
Total expenditures	<u>3,728,197</u>	<u>12,336</u>	<u>94,675</u>	<u>3,835,208</u>
Excess (deficiency) of revenues over expenditures	<u>(570,625)</u>	<u>26,860</u>	<u>36,494</u>	<u>(507,271)</u>
Other financing sources (uses)				
Loan proceeds	607,403			607,403
Transfers in	35,000	51,000		86,000
Transfers out	(51,000)		(35,000)	(86,000)
Total other financing sources and uses	<u>591,403</u>	<u>51,000</u>	<u>(35,000)</u>	<u>607,403</u>
Net change in fund balances	<u>20,778</u>	<u>77,860</u>	<u>1,494</u>	<u>100,132</u>
Fund balance - July 1	<u>1,290,257</u>	<u>92,491</u>	<u>13,278</u>	<u>1,396,026</u>
Fund balance - June 30	<u>\$ 1,311,035</u>	<u>\$ 170,351</u>	<u>\$ 14,772</u>	<u>\$ 1,496,158</u>

The accompanying notes are an integral part of these financial statements

Center-Stanton Public School District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2013

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 959,751	\$ 40,305	\$ 59,605	\$ 1,059,661
County sources	362,730			362,730
State sources	1,711,008			1,711,008
Federal sources	102,217		58,364	160,581
Other sources	9,025			9,025
Total revenues	<u>3,144,731</u>	<u>40,305</u>	<u>117,969</u>	<u>3,303,005</u>
Expenditures				
Current				
Regular instruction	1,570,859			1,570,859
Federal programs	109,049			109,049
Vocational education	110,696			110,696
District wide services	71,534			71,534
Tuition and assessments	142,646			142,646
Administration	346,854			346,854
Operations and maintenance	234,998	5,912		240,910
Student transportation	163,285			163,285
Student activities	129,755			129,755
Community services	25,940			25,940
Food services	67,491		82,166	149,657
Capital outlay	147,889	25,720		173,609
Debt service				
Principal	3,648			3,648
Total expenditures	<u>3,124,644</u>	<u>31,632</u>	<u>82,166</u>	<u>3,238,442</u>
Excess (deficiency) of revenues over expenditures	<u>20,087</u>	<u>8,673</u>	<u>35,803</u>	<u>64,563</u>
Other financing sources (uses)				
Transfers in	35,000	15,000		50,000
Transfers out	(15,000)		(35,000)	(50,000)
Total other financing sources and uses	<u>20,000</u>	<u>15,000</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balances	<u>40,087</u>	<u>23,673</u>	<u>803</u>	<u>64,563</u>
Fund balance - July 1	<u>1,250,170</u>	<u>68,818</u>	<u>12,475</u>	<u>1,331,463</u>
Fund balance - June 30	<u>\$ 1,290,257</u>	<u>\$ 92,491</u>	<u>\$ 13,278</u>	<u>\$ 1,396,026</u>

Center-Stanton Public School District No. 1
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-
 Wide Statement of Activities
 Year Ended June 30, 2014

Net change in fund balances - total governmental funds		\$ 100,132
The change in net position reported for governmental activities in the statement of activities is different because		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.</p>		
Current year capital outlay	\$ 478,141	
Current year depreciation expense	<u>(117,149)</u>	360,992
<p>In the statement of activities, donations of capital assets increase net position but donations of capital assets do not appear in the governmental funds because they are not financial resources. Thus, the change in net position differs from the change in fund balance by the value of donated assets.</p>		
		369,000
<p>The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities.</p>		
		(607,403)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		3,648
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds</p>		
Net decrease in housing incentives payable	\$ 23,195	
Net increase in compensated absences	<u>(17,735)</u>	5,460
<p>Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net decrease in taxes receivable.</p>		
		<u>(49,443)</u>
Change in Net Position of Governmental Activities		<u>\$ 182,386</u>

Center-Stanton Public School District No. 1
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-
 Wide Statement of Activities
 Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$	64,563
The change in net position reported for governmental activities in the statement of activities is different because		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.</p>		
Current year capital outlay	\$	173,609
Current year depreciation expense		<u>(92,296)</u>
		81,313
The net effect of various transactions involving capital assets (i.e. sales and disposals) is to decrease net position.		(1,517)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,648
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Net decrease in housing incentives payable	\$	69,876
Net increase in compensated absences		<u>(139)</u>
		69,737
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net decrease in taxes receivable.		<u>10,769</u>
Change in Net Position of Governmental Activities	\$	<u><u>228,513</u></u>

Center-Stanton Public School District No. 1
Statement of Fiduciary Net Position – Fiduciary Fund
June 30, 2014

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 79,775</u>
Liabilities	
Due to student activities groups	<u>\$ 79,775</u>

Center-Stanton Public School District No. 1
Statement of Fiduciary Net Position – Fiduciary Fund
June 30, 2013

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 83,564</u>
Liabilities	
Due to student activities groups	<u>\$ 83,564</u>

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Center-Stanton Public School District No. 1, Center, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the Center-Stanton Public School District No. 1 as a reporting entity.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the primary government, Center-Stanton Public School District No. 1. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The School District reports the following major governmental funds:

General Fund – This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund – This is the School District’s fund used for major capital asset projects.

The School District reports the following fiduciary fund type:

Agency Fund – This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District’s agency fund is used to account for various deposits of the student activity funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at fair value.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	70 years
Fixtures	5 years
Vehicles	10 years
Equipment	7-10 years

Compensated Absences

Vested or accumulated sick leave and personal leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all certified employees and administrators upon termination of 1 or more years. The district's personnel policy requires a payout of \$30 for each day up to a maximum of 80 days for accumulated sick leave for certified employees and administrators. During the year ended June 30, 2014 the maximum for sick leave days to be paid out increased to 100 days. Ancillary employees are paid at a rate of \$20 for each day up to a maximum of 20 days for accumulated sick leave. Accumulated personal leave is paid out at the substitute rate of pay up to a maximum of 6 days.

Housing Incentives Payable

Housing incentives payable are reported in the government-wide statement of net position. Teachers who work for the School District will receive the incentive if they are eligible after five years. The payable is based on management's estimate of the teachers who will remain employed with the School District and earn the incentive.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of fund balance/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. The District reports unavailable revenue from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Receivables, such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Fund Balance Classification Policies and Procedures

In accordance with Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation. Unrestricted net position consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Restricted and Unrestricted Resources

It is the District's policy to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Note 2 - Deposits and Investments

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

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

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

At June 30, 2014, the bank balance of deposits was \$1,648,153 and the carrying amount of deposits was \$1,516,219, which consisted of School District deposits of \$1,436,444 and agency fund deposits of \$79,775. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name and an irrevocable standby letter of credit in the government's name.

At June 30, 2013, the bank balance of deposits was \$1,513,610 and the carrying amount of deposits was \$1,331,616, which consisted of School District deposits of \$1,248,052 and agency fund deposits of \$83,564. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name and an irrevocable standby letter of credit in the government's name.

Credit Risk

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

1. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
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.
4. Obligations of the State.

At June 30, 2014 and 2013, the School District held certificates of deposit in the amount of \$271,893 and \$291,415, respectively, all of which are considered deposits. The certificates of deposit mature in less than one year.

Concentration of Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The School District does not have a written investment policy covering interest rate risk.

Note 3 - Taxes Receivable

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

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

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

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

Note 4 - Intergovernmental Receivables

Intergovernmental receivables consist of reimbursements due for expense in the operation of various school programs. This amount consists of a mix of state and federal dollars.

Note 5 - Inventories

Inventories consist of food and supplies for the food service fund. Reported inventories are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Center-Stanton Public School District No. 1
Notes to Financial Statements
June 30, 2014 and 2013

Note 6 - Capital Assets

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 7,000	\$ 369,000	\$	\$ 376,000
Construction in progress		262,907		262,907
Total capital assets not being depreciated	<u>7,000</u>	<u>631,907</u>		<u>638,907</u>
Capital assets being depreciated				
Buildings	2,500,000			2,500,000
Fixtures		123,305		123,305
Vehicles	490,151	91,929	47,000	535,080
Equipment	214,270			214,270
Total capital assets being depreciated	<u>3,204,421</u>	<u>215,234</u>	<u>47,000</u>	<u>3,372,655</u>
Less accumulated depreciation for				
Buildings	957,126	35,714		992,840
Fixtures		7,904		7,904
Vehicles	224,875	45,357	47,000	223,232
Equipment	49,275	28,174		77,449
Total accumulated depreciation	<u>1,231,276</u>	<u>117,149</u>	<u>47,000</u>	<u>1,301,425</u>
Total capital assets being depreciated, net	<u>1,973,145</u>	<u>98,085</u>		<u>2,071,230</u>
Governmental type activity capital assets, net	<u>\$ 1,980,145</u>	<u>\$ 729,992</u>	<u>\$</u>	<u>\$ 2,710,137</u>

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2014:

	Amounts
Operations and maintenance	\$ 44,731
Student transportation	3,809
Food services	<u>68,609</u>
Total depreciation expense	<u>\$ 117,149</u>

Center-Stanton Public School District No. 1
Notes to Financial Statements
June 30, 2014 and 2013

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$	\$ 7,000	\$	\$ 7,000
Total capital assets not not being depreciated		7,000		7,000
Capital assets being depreciated				
Buildings	2,500,000			2,500,000
Vehicles	455,779	95,872	61,500	490,151
Equipment	143,533	70,737		214,270
Total capital assets being depreciated	3,099,312	166,609	61,500	3,204,421
Less accumulated depreciation for				
Buildings	921,412	35,714		957,126
Vehicles	247,823	37,035	59,983	224,875
Equipment	29,727	19,547		49,275
Total accumulated depreciation	1,198,962	92,296	59,983	1,231,276
Total capital assets being depreciated, net	1,900,350	74,313	1,517	1,973,145
Governmental type activity capital assets, net	\$ 1,900,350	\$ 81,313	\$ 1,517	\$ 1,980,145

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2013:

	Amounts
Operations and maintenance	\$ 51,454
Student transportation	3,808
Food services	37,034
Total depreciation expense	\$ 92,296

At June 30, 2014, the School District had contractual obligations related to Energy Improvement Projects totaling \$1,408,909. Of the total contracted amounts, the School District had commitments outstanding of \$521,715 at June 30, 2014 related to the Energy Improvement Projects.

Note 7 - Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Capital lease payable	\$ 17,632	\$ -	\$ 3,648	\$ 13,984	\$ 3,648
Tax-exempt note payable	-	607,403	-	607,403	50,847
Housing incentives payable	29,273	7,093	30,288	6,078	-
Compensated absences	49,079	22,253	4,518	66,814	5,000
Total	\$ 95,984	\$ 636,749	\$ 38,454	\$ 694,279	\$ 59,495

The following is a summary of long-term liability activity for the year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Capital lease payable	\$ 21,280	\$ -	\$ 3,648	\$ 17,632	\$ 3,648
Housing incentives payable	99,149	26,496	96,372	29,273	24,207
Compensated absences	48,940	20,858	20,719	49,079	5,000
Total	\$ 169,369	\$ 47,354	\$ 120,739	\$ 95,984	\$ 32,855

The long-term liabilities are liquidated by the general fund.

Capital Leases Payable

The School District has entered into a lease agreement as lessee for financing equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The lease is interest-free, due in monthly payments of \$304 and matures May 1, 2018. The following are the leased assets under capital leases as of June 30, 2014:

<u>Asset</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Telephone and paging system	\$ 26,206	\$ 5,678	\$ 20,528

Center-Stanton Public School District No. 1
Notes to Financial Statements
June 30, 2014 and 2013

The future minimum lease obligations at June 30, 2014 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>
2015	\$ 3,648
2016	3,648
2017	3,648
2018	<u>3,040</u>
Total	<u>\$ 13,984</u>

Tax-Exempt Note Payable

A tax-exempt note payable was entered into for financing energy conservation measures. The District entered into this note payable during February 2014. The note is due in annual installments of \$86,980 maturing in February 2030. The total amount that can be drawn on the tax-exempt note is \$1,058,909; however, the District as of June 30, 2014 had an outstanding balance as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Energy Conservation Measures	3.36%	\$ 607,403
		<u>\$ 607,403</u>

Maturity of the tax-exempt note payable is as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 50,847	\$ 36,132
2016	52,582	34,397
2017	54,376	32,603
2018	56,232	30,747
2019	58,151	28,829
2020-2024	321,906	112,992
2025	<u>13,309</u>	<u>1,895</u>
Total	<u>\$ 607,403</u>	<u>\$ 277,595</u>

The tax-exempt note payable is liquidated by the general fund.

At November 18, 2014 the School District has drawn an additional \$451,468 on the tax exempt note.

Housing Incentives Payable

The District has a housing incentive program for teachers in which they set aside \$2,000 per year for five years and eligible teachers will receive the incentive at the end of the five year period. Teachers are eligible to receive the full incentive of \$10,000 plus accrued interest if at the end of the five years, the teacher owns his or her home in the District. Teachers can also be eligible for half of the incentive if they live in the District and rent housing or if they are not living in the District but send his/her child to the School District for five years. If the teacher does not meet the eligibility requirements at the end of the five year period, the money that was contributed to the housing incentive fund and the interest will not be paid out and will become available for other spending purposes of the District.

The annual requirements to amortize the housing incentives payable are as follows:

Year ending June 30	Principal
2015	\$ -
2016	-
2017	-
2018	-
2019	6,078
Total	\$ 6,078

Note 8 - Risk Management

The Center-Stanton Public School District No. 1 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$43,600 for public assets.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the School District with a blanket fidelity bond coverage in the amount of \$1,100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health, dental and vision insurance. Employees who elect health insurance coverage through the School District also receive life insurance coverage.

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

Note 9 - Pension Plans

North Dakota Teachers Fund for Retirement

The School District contributes to the North Dakota Teachers Fund for Retirement (TFFR), a cost-sharing multiple-employer defined pension plan administered by the State of North Dakota for its certified staff. TFFR provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota 58507-7100.

Plan members are required to contribute 9.75% of their annual covered salary and the School District is required to contribute 10.75% of the teachers' salary. The School District has implemented a salary reduction agreement with plan members and is currently contributing the employees' share. The contribution requirements of plan members and the School District are established and may be amended by the state legislature. The School District's contributions to TFFR for the fiscal years ending June 30, 2014, 2013, 2012, 2011 and 2010 were \$270,370, \$263,102, \$206,692, \$210,071 and \$105,212, respectively, equal to the required contributions for the year.

North Dakota Public Employees' Retirement System

The School District contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined pension plan administered by the State of North Dakota. NDPERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway Avenue, Suite 505, PO Box 1657, Bismarck, North Dakota 58502-1657.

Plan members were required to contribute 6% of their annual covered salary through January 1, 2013 and 7% of their annual covered salary effective January 1, 2014. The School District was required to contribute 7.26% of the employees' salary which consisted of 6.12% for employee retirement and 1.14% for the retiree health benefits fund through January 1, 2013 and 8.26% of the employees' salary which consisted of 7.12% for employee retirement and 1.14% for the retiree health benefits fund effective January 1, 2014. The School District has implemented a salary reduction agreement with plan members and is currently contributing 3% of the employees' share. The contribution requirements of plan members and the School District are established and may be amended by the state legislature. The School District's contributions to NDPERS for the fiscal years ending June 30, 2014, 2013, 2012, 2011 and 2010 were \$22,881, \$17,562, \$16,858, \$14,392 and \$12,482, respectively, equal to the required contributions for the year.

Note 10 - Lease Commitments

The School District entered into various operating leases for office equipment during the year ended June 30, 2014. Rent expense totaled \$16,020 for the year ended June 30, 2014. Future minimum lease payments under the operating leases at June 30, 2014 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>
2015	\$ 16,020
2016	16,020
2017	8,775
2018	<u>6,360</u>
Total	<u>\$ 47,175</u>

Note 11 - Transfers

The following shows the transfers in and out for the year ended June 30, 2014:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	
General fund	\$ 35,000	\$ 51,000	Budgeted transfer
Building Fund	51,000		Budgeted transfer
Non-major fund		<u>35,000</u>	Budgeted transfer
Total	<u>\$ 86,000</u>	<u>\$ 86,000</u>	

The following shows the transfers in and out for the year ended June 30, 2013:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	
General fund	\$ 35,000	\$ 15,000	Budgeted transfer
Building Fund	15,000		Budgeted transfer
Non-major fund		<u>35,000</u>	Budgeted transfer
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>	

Note 12 - Expenditures in Excess of Appropriations

The School District exceeded the budget for expenditures in the General Fund by \$631,727 in the year ended June 30, 2014. The expenditures were covered by excess revenues and loan proceeds.



Required Supplementary Information
June 30, 2014 and 2013

**Center-Stanton Public School
District No. 1**

Center-Stanton Public School District No. 1
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	\$ 629,437	\$ 631,437	\$ 629,289	\$ (2,148)
County sources	295,000	295,000	345,205	50,205
State sources	1,959,441	1,959,441	2,059,242	99,801
Federal sources	106,330	126,330	121,412	(4,918)
Other sources	2,000	12,000	2,424	(9,576)
Total revenues	2,992,208	3,024,208	3,157,572	133,364
Expenditures				
Current				
Regular instruction	1,624,473	1,622,573	1,659,556	(36,983)
Federal programs	102,548	122,791	118,242	4,549
Vocational education	93,824	94,824	101,096	(6,272)
District wide services	47,433	53,005	58,901	(5,896)
Tuition and assessments	53,500	58,000	53,374	4,626
Administration	349,863	350,363	270,150	80,213
Operations & maintenance	296,328	301,828	701,906	(400,078)
Student transportation	253,922	253,922	181,181	72,741
Student activities	138,462	138,462	4,146	134,316
Community services	27,246	27,246	26,761	485
Food services	73,456	73,456	71,095	2,361
Capital outlay			478,141	(478,141)
Debt service				
Principal			3,648	(3,648)
Total expenditures	3,061,055	3,096,470	3,728,197	(631,727)
Excess (deficiency) of revenues over expenditures	(68,847)	(72,262)	(570,625)	(498,363)
Other financing sources (uses)				
Loan proceeds			607,403	607,403
Transfers in	35,000	35,000	35,000	-
Transfers out			(51,000)	(51,000)
Total other financing sources	35,000	35,000	591,403	556,403
Net change in fund balances	(33,847)	(37,262)	20,778	58,040
Fund balance - July 1	1,290,257	1,290,257	1,290,257	-
Fund balance - June 30	<u>\$ 1,256,410</u>	<u>\$ 1,252,995</u>	<u>\$ 1,311,035</u>	<u>\$ 58,040</u>

Center-Stanton Public School District No. 1
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	\$ 953,400	\$ 953,324	\$ 959,751	\$ 6,427
County sources	275,000	275,000	362,730	87,730
State sources	1,689,837	1,679,637	1,711,008	31,371
Federal sources	96,120	107,537	102,217	(5,320)
Other sources	17,000	3,000	9,025	6,025
Total revenues	3,031,357	3,018,498	3,144,731	126,233
Expenditures				
Current				
Regular instruction	1,553,398	1,542,325	1,570,859	(28,534)
Federal programs	92,482	103,909	109,049	(5,140)
Vocational education	117,175	117,175	110,696	6,479
District wide services	65,035	65,035	71,534	(6,499)
Tuition and assessments	149,000	154,646	142,646	12,000
Administration	400,585	400,585	346,854	53,731
Operations & maintenance	316,030	317,030	234,998	82,032
Student transportation	257,660	256,600	163,285	93,315
Student activities	142,295	142,545	129,755	12,790
Community services	25,325	25,325	25,940	(615)
Food services	63,550	63,550	67,491	(3,941)
Capital outlay			147,889	(147,889)
Debt service				
Principal			3,648	(3,648)
Total expenditures	3,182,535	3,188,725	3,124,644	64,081
Excess (deficiency) of revenues over expenditures	(151,178)	(170,227)	20,087	190,314
Other financing sources (uses)				
Transfers in	35,000	35,000	35,000	-
Transfers out			(15,000)	15,000
Total other financing sources	35,000	35,000	20,000	15,000
Net change in fund balances	(116,178)	(135,227)	40,087	205,314
Fund balance - July 1	1,250,170	1,250,170	1,250,170	-
Fund balance - June 30	\$ 1,133,992	\$ 1,114,943	\$ 1,290,257	\$ 205,314

Note 1 – Summary of Significant Budget Policies

Based upon available financial information and requests by the governing board, the Business Manager and Superintendent work together to prepare the School District budget. The budget is prepared for the general 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 immediately following the action of the governing body, or within ten days thereafter (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.



CPAs & BUSINESS ADVISORS

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*

School Board
Center-Stanton Public School District No. 1
Center, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Center-Stanton Public School District No. 1, Center, North Dakota as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center-Stanton Public School District No. 1'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 Center-Stanton Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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 in the accompanying auditor's comments as items 2014-A, 2014-B and 2014-C to be material weaknesses.

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.

Compliance and Other Matters

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

Center-Stanton Public School District No. 1 Response to Findings

Center-Stanton Public School District No. 1's responses to the findings identified in our audit are described in the accompanying auditor's comments. Center-Stanton Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Eide Bailly LLP

Bismarck, North Dakota
November 18, 2014

Current Audit Findings and Recommendations -- Financial Statements

2014-A - Segregation of Duties -- Material Weakness

Condition -- The District has a lack of segregation of duties in certain areas due to a limited staff.

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

Cause - One employee is responsible for collecting monies, depositing monies, issuing checks, sending checks to vendors, recording receipts and disbursements in journals, maintaining the general ledger and preparing financial records.

Effect - Inadequate segregation of duties could adversely affect the District's ability to detect potential material misstatements to the financial statements in a timely period.

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

Management's Response - We concur with your findings, but due to the size of our school district it isn't cost effective to hire an additional employee to work in the business manager's office solely for the purpose of dual control. In addition to the items listed in our response after the 2010 audit, some changes that were immediately implemented per auditor's recommendations upon completion of the 2010 audit are: 1) bank statements are sent by Security First Bank of ND directly to one of the budget committee board members for initial review, then the board member gives them to the business manager to reconcile, and then the business manager gives them to Superintendent Curt Pierce for a final review; 2) receipts for all activity fund monies are given to the appropriate coach/advisor so that they have them to compare to the month-end balance sheet and activity summary for their account; 3) a listing of all checks written/voided and payroll direct deposits are logged and signed for by the Board President as confirmation that those checks have been supplied to the board members for review. Other actions that we can possibly implement would be to have office personnel (other than the business manager) prepare the bank deposits after the business manager has receipted the money and office personnel could also be responsible for mailing out all checks after they are written.

2014-B - Recording of Transactions – Material Weakness

Condition - We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Criteria - A good system of internal accounting control contemplates proper reconciliements of all general ledger accounts.

Cause - The transactions were outside of the typical day to day transactions of the School District and were not recorded in accordance with generally accepted accounting principles.

Effect - Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. We recommend you research transactions that are outside of the scope of the typical day to day accounting transactions to ensure all transactions are recorded correctly.

Management's Response - We concur with your findings and the recommendation to research transactions that are outside of the scope of the typical day to day accounting transactions will be implemented. We don't maintain our own capital asset schedule or prepare the financial statement it was believed by the business manager to be an item that would be handled with the audit, as normally he does contact the auditors when he is uncertain of how to handle the posting of something outside of the typical day to day business.

2014-C - Financial Statement Preparation – Material Weakness

Condition - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria - Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Cause - The District has not trained staff in GASB reporting standards.

Effect - Inadequate controls over financial reporting of the District result in the more than remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Management's Response - Due to the size of our school district it is not cost effective for us to train staff and prepare our own financial statements, and therefore elect to have the financial statements prepared by our external auditors.