Financial Statements
June 30, 2018 and 2017

Center-Stanton Public School District No. 1

Loren Henke	Board President
Cynthia Berger	Board Member
Wayne Windhorst	Board Member
Raymond Hall	Board Member
Richard Schmidt	Board Member
Tracy Peterson	Superintendent
Jacob Erhardt	Business Manager

CPAs & BUSINESS ADVISORS

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, Center, North Dakota (School District), as of and for the years ended June 30, 2018 and 2017, 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. 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.

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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, as of June 30, 2018 and 2017, 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.

Change in Accounting Principle
As discussed in Notes 1 and 9 to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The 2017 financial statements have not been restated to reflect this change. Our opinions are not modified with respect to this matter.

Restatement of Net Position
As discussed in Note 13 to the financial statements, the District did not include total employer contributions in the calculation of the deferred outflows related to the net pension liability in 2016. Accordingly, an adjustment has been made to the beginning net position as of July 1, 2016 to reflect deferred outflows. Our opinions are not modified with respect to these matters.

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, schedule of employer's share of net pension liability, and schedule of employer's contributions on pages 47-52 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'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 January 24, 2019 on our consideration of Center-Stanton Public School District'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's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
January 24, 2019

	Governmental Activities
Assets	
Cash and investments	$ 905,760
Taxes receivable	84,397
Intergovernmental receivables	138,769
Capital assets, not being depreciated	
Land	376,000
Capital assets, net of accumulated depreciation	
Buildings	1,364,303
Site improvements	460,340
Fixtures	78,629
Vehicles	216,641
Equipment	61,470
Total capital assets	2,557,383
Total assets	3,686,309
Deferred Outflows of Resources	
Other post-employment benefits	5,039
Pension plans	885,349
Total deferred outflows	890,388
Liabilities	
Accounts payable	18,670
Accrued liabilities	1,456
Long-term liabilities	
Due within one year	
Tax-exempt note payable	58,151
Compensated absences	9,390
Due after one year	
Tax-exempt note payable	335,214
Housing incentives payable	10,011
Compensated absences	35,241
Other post-employment benefits	19,241
Net pension liability	3,467,242
Total liabilities	3,954,616
Deferred Inflows of Resources	
Other post-employment benefits	1,410
Pension plans	137,171
Total deferred inflows	138,581
Net Position	
Net investment in capital assets	2,164,018
Unrestricted	(1,680,518)
Total Net Position	$ 483,500

Assets	
Cash and investments	$ 1,317,446
Taxes receivable	60,078
Intergovernmental receivables	159,467
Capital assets, not being depreciated	
Land	376,000
Capital assets, net of accumulated depreciation	
Buildings	1,400,018
Site improvements	387,623
Fixtures	84,419
Vehicles	266,280
Equipment	71,839
Total capital assets	2,586,179
Total assets	4,123,170
Deferred Outflows of Resources	
Pension plans	1,037,666
Liabilities	
Accounts payable	64,869
Accrued liabilities	47,291
Long-term liabilities	
Due within one year	
Capital lease payable	3,040
Tax-exempt note payable	56,232
Compensated absences	9,390
Due after one year	
Tax-exempt note payable	393,365
Housing incentives payable	5,004
Compensated absences	40,467
Net pension liability	3,517,706
Total liabilities	4,137,364
Deferred Inflows of Resources	
Pension plans	123,546
Net Position	
Net investment in capital assets	2,133,542
Unrestricted	(1,233,616)
Total Net Position	$ 899,926

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Regular instruction	$ 2,160,687	$ 16,586	$ -	$ (2,144,101)
Federal programs	78,497	-	76,373	(2,124)
Vocational education	91,019	-	23,541	(67,478)
District wide services	49,202	-	-	(49,202)
Administration	287,597	-	-	(287,597)
Operations and maintenance	610,167	-	-	(610,167)
Student transportation	238,599	-	122,829	(115,770)
Student activities	160,268	-	-	(160,268)
Community services	67,859	-	-	(67,859)
Tuition	37,731	-	-	(37,731)
Food services	189,912	76,379	46,732	(66,801)
Interest expense	30,748	-	-	(30,748)
Total governmental activities	$ 4,002,286	$ 92,965	$ 269,475	(3,639,846)

General Revenues	
Taxes	
Property taxes; levied for general purposes	852,660
Property taxes; levied for building purposes	54,773
Coal severance and conversion taxes	313,296
Telecommunications and financial institution taxes	14,751
State aid - not restricted to specific program	1,958,586
Earnings on investments	1,398
Miscellaneous revenue	27,956
Total General Revenues	3,223,420
Change in Net Position	(416,426)
Net Position - Beginning	899,926
Net Position - Ending	$ 483,500

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Regular instruction	$ 2,059,886	$ 18,872	$ -	$ (2,041,014)
Federal programs	88,907	-	88,907	-
Vocational education	88,287	-	22,932	(65,355)
District wide services	29,149	-	-	(29,149)
Administration	266,022	-	-	(266,022)
Operations and maintenance	501,503	-	-	(501,503)
Student transportation	227,675	-	146,329	(81,346)
Student activities	156,475	-	-	(156,475)
Community services	44,998	-	-	(44,998)
Food services	175,302	74,985	37,532	(62,785)
Interest expense	32,603	-	-	(32,603)
Total governmental activities	$ 3,670,807	$ 93,857	$ 295,700	(3,281,250)

General Revenues	
Taxes	
Property taxes; levied for general purposes	831,972
Property taxes; levied for building purposes	54,513
Coal severance and conversion taxes	276,055
Telecommunications and financial institution taxes	15,445
State aid - not restricted to specific program	1,934,628
Earnings on investments	1,664
Miscellaneous revenue	33,281
Total General Revenues	3,147,558
Change in Net Position	(133,692)
Net Position - Beginning, as restated (Note 14)	1,033,618
Net Position - Ending	$ 899,926

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 617,859	$ 222,261	$ 65,640	$ 905,760
Taxes receivable	78,893	5,504	-	84,397
Intergovernmental receivables	137,949	798	22	138,769
Total assets	$ 834,701	$ 228,563	$ 65,662	$ 1,128,926
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 12,525	$ 6,145	$ -	$ 18,670
Accrued liabilities	1,456	-	-	1,456
Total liabilities	13,981	6,145	-	20,126
Deferred Inflows of Resources				
Unavailable revenue - property taxes	78,893	5,504	-	84,397
Fund balances				
Committed for:				
Housing incentives	10,011	-	-	10,011
Food services			65,662	65,662
Assigned for:				
Building fund	-	216,914	-	216,914
Unassigned	731,816	-	-	731,816
Total fund balances	741,827	216,914	65,662	1,024,403
Total liabilities, deferred inflows of resources, and fund balances	$ 834,701	$ 228,563	$ 65,662	$ 1,128,926

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 801,251	$ 487,366	$ 28,829	$ 1,317,446
Taxes receivable	56,160	3,918	-	60,078
Intergovernmental receivables	156,750	2,695	22	159,467
Total assets	$ 1,014,161	$ 493,979	$ 28,851	$ 1,536,991
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 15,630	$ 49,239	$ -	$ 64,869
Accrued liabilities	47,291	-	-	47,291
Total liabilities	62,921	49,239	-	112,160
Deferred Inflows of Resources				
Unavailable revenue -property taxes	56,160	3,918	-	60,078
Fund balances				
Committed for:				
Housing incentives	5,004	-	-	5,004
Food services	-	-	28,851	28,851
Assigned for:				
Building fund	-	440,822	-	440,822
Unassigned	890,076	-	-	890,076
Total fund balances	895,080	440,822	28,851	1,364,753
Total liabilities, deferred inflows of resources, and fund balances	$ 1,014,161	$ 493,979	$ 28,851	$ 1,536,991

Total fund balances for governmental funds		$ 1,024,403
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	$ 4,559,732	
Less accumulated depreciation	(2,002,349)	
Net capital assets		2,557,383
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		84,397
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (137,171)	
Deferred outflows of resources	885,349	
Net deferred inflows and outflows		748,178
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (1,410)	
Deferred outflows of resources	5,039	
Net deferred inflows and outflows		3,629
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, 2018 are:		
Other post-employment benefits	$ (19,241)	
Net pension liability	(3,467,242)	
Tax-exempt note payable	(393,365)	
Housing incentives payable	(10,011)	
Compensated absences	(44,631)	
Total long-term liabilities		(3,934,490)
Total net position of governmental activities		$ 483,500

Total fund balances for governmental funds		$ 1,364,753
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	$ 4,372,062	
Less accumulated depreciation	(1,785,883)	
Net capital assets		2,586,179
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		60,078
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (123,546)	
Deferred outflows of resources	1,037,666	
Net deferred inflows and outflows		914,120
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, 2017 are:		
Net pension liability	$ (3,517,706)	
Capital lease payable	(3,040)	
Tax-exempt note payable	(449,597)	
Housing incentives payable	(5,004)	
Compensated absences	(49,857)	
Total long-term liabilities		(4,025,204)
Total net position of governmental activities		$ 899,926

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 886,040	$ 57,433	$ 76,396	$ 1,019,869
County sources	313,298	-	-	313,298
State sources	2,103,368	-	-	2,103,368
Federal sources	80,084	-	46,732	126,816
Other sources	313	-	-	313
Total revenues	3,383,103	57,433	123,128	3,563,664
Expenditures				
Current				
Regular instruction	2,036,946	-	-	2,036,946
Federal programs	78,497	-	-	78,497
Vocational education	91,019	-	-	91,019
District wide services	49,202	-	-	49,202
Administration	282,590	-	-	282,590
Operations and maintenance	320,087	127,061	-	447,148
Student transportation	188,960	-	-	188,960
Student activities	160,268	-	-	160,268
Community services	67,859	-	-	67,859
Tuition	37,731			37,731
Food services	99,787	-	86,317	186,104
Capital outlay	33,390	154,280	-	187,670
Debt service				
Principal	59,272	-	-	59,272
Interest	30,748	-	-	30,748
Total expenditures	3,536,356	281,341	86,317	3,904,014
Excess of revenues over (under) expenditures	(153,253)	(223,908)	36,811	(340,350)
Net change in fund balances	(153,253)	(223,908)	36,811	(340,350)
Fund balance - Beginning	895,080	440,822	28,851	1,364,753
Fund balance - Ending	$ 741,827	$ 216,914	$ 65,662	$ 1,024,403

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 883,122	$ 56,755	$ 75,008	$ 1,014,885
County sources	277,135	-	-	277,135
State sources	2,100,032	-	-	2,100,032
Federal sources	92,765	-	37,532	130,297
Other sources	187	-	-	187
Total revenues	3,353,241	56,755	112,540	3,522,536
Expenditures				
Current				
Regular instruction	1,947,809	-	-	1,947,809
Federal programs	88,907	-	-	88,907
Vocational education	88,287	-	-	88,287
District wide services	29,149	-	-	29,149
Administration	269,118	-	-	269,118
Operations and maintenance	366,398	-	-	366,398
Student transportation	178,036	-	-	178,036
Student activities	156,475	-	-	156,475
Community services	44,998	-	-	44,998
Food services	92,282	-	79,212	171,494
Capital outlay	68,008	49,239	-	117,247
Debt service				
Principal	58,025	-	-	58,025
Interest	32,603	-	-	32,603
Total expenditures	3,420,095	49,239	79,212	3,548,546
Excess of revenues over (under) expenditures	(66,854)	7,516	33,328	(26,010)
Other financing sources (uses)				
Transfers in	50,000	250,000	-	300,000
Transfers out	(250,000)	-	(50,000)	(300,000)
Total other financing sources (uses)	(200,000)	250,000	(50,000)	-
Net change in fund balances	(266,854)	257,516	(16,672)	(26,010)
Fund balance - Beginning	1,161,934	183,306	45,523	1,390,763
Fund balance - Ending	$ 895,080	$ 440,822	$ 28,851	$ 1,364,753

Net change in fund balances - total governmental funds		$ (340,350)
The change in net position reported for governmental activities in the statement of activities is different because		
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.		
Current year capital outlay	$ 187,670	
Current year depreciation expense	(216,466)	
		(28,796)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		59,272
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		(115,478)
In the statement of activities the cost of other post-employment benefits earned net of employee contributions is reported as post-employment expense. In the governmental funds, however, the contributions are reported as expense.		(15,612)
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 increase in housing incentives payable	$ (5,007)	
Net decrease in compensated absences	5,226	
		219
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 increase in taxes receivable.		24,319
Change in net position of governmental activities		$ (416,426)

Net change in fund balances - total governmental funds		$ (26,010)
The change in net position reported for governmental activities in the statement of activities is different because		
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.		
Current year capital outlay	$ 117,247	
Current year depreciation expense	(188,552)	
		(71,305)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		58,025
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		(110,965)
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	$ 3,096	
Net decrease in compensated absences	(1,112)	
		1,984
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 increase in taxes receivable.		14,579
Change in net position of governmental activities		$ (133,692)

	Agency Fund
Assets	
Cash	$ 74,999
Liabilities	
Due to student activities groups	$ 74,999

	Agency Fund
Assets	
Cash	$ 79,318
Liabilities	
Due to student activities groups	$ 79,318

The accompanying notes are an integral part of these financial statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Center-Stanton Public School District No. 1, Center, North Dakota (School District), 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 School District'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 criterion 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.

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
Site improvements	10 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 after 1 or more years of service. The School 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, 2016 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 and discounts are recognized in the current period since the amounts are not material. Issuance costs are also recognized in the current period.

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.

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

Other Postemployment Benefits

Other Postemployment Benefits (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 75

As of July 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of this standard improves the usefulness of information about and improves accounting and financial reporting for postemployment benefits other than pensions (other Postemployment benefits or OPEB). The additional disclosures required by this standard is included in Note 9.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The School District reports the contributions made to pension plans and other postemployment benefit plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position as deferred outflows of resources.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability and other postemployment benefits liability not included in pension expense reported in the government-wide statement of net position.

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* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or 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 deferred outflows of resources and liabilities and deferred inflows of resources. 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."

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, 2018, the bank balance of deposits was $1,212,548 and the carrying amount of deposits was $980,759, which consisted of School District deposits of $905,760 and agency fund deposits of $74,999. 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, 2017, the bank balance of deposits was $1,561,370 and the carrying amount of deposits was $1,396,764, which consisted of School District deposits of $1,317,446 and agency fund deposits of $79,318. 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, 2018 and 2017, the School District held certificates of deposit in the amount of $270,020 and $264,426, 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 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Construction in progress	-	-	-	-
Total capital assets not not being depreciated	376,000	-	-	376,000
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	509,261	133,551	-	642,812
Fixtures	166,592	32,729	-	199,321
Vehicles	579,772	-	-	579,772
Equipment	240,437	21,390	-	261,827
Total capital assets being depreciated	3,996,062	187,670	-	4,183,732
Less accumulated depreciation for				
Buildings	1,099,982	35,715	-	1,135,697
Site improvements	121,638	60,834	-	182,472
Fixtures	82,173	38,519	-	120,692
Vehicles	313,492	49,639	-	363,131
Equipment	168,598	31,759	-	200,357
Total accumulated depreciation	1,785,883	216,466	-	2,002,349
Total capital assets being depreciated, net	2,210,179	(28,796)	-	2,181,383
Governmental type activity capital assets, net	$ 2,586,179	$ (28,796)	$ -	$ 2,557,383

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2018:

	Amounts
Operations and maintenance	$ 163,019
Student transportation	49,639
Food services	3,808
Total depreciation expense	$ 216,466

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Construction in progress	15,356	-	15,356	-
Total capital assets not not being depreciated	391,356	-	15,356	376,000
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	426,039	83,222	-	509,261
Fixtures	123,305	43,287	-	166,592
Vehicles	579,772	-	-	579,772
Equipment	234,343	6,094	-	240,437
Total capital assets being depreciated	3,863,459	132,603	-	3,996,062
Less accumulated depreciation for				
Buildings	1,064,268	35,714	-	1,099,982
Site improvements	74,631	47,007	-	121,638
Fixtures	57,226	24,947	-	82,173
Vehicles	263,853	49,639	-	313,492
Equipment	137,353	31,245	-	168,598
Total accumulated depreciation	1,597,331	188,552	-	1,785,883
Total capital assets being depreciated, net	2,266,128	(55,949)	-	2,210,179
Governmental type activity capital assets, net	$ 2,657,484	$ (55,949)	$ 15,356	$ 2,586,179

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2017:

	Amounts
Operations and maintenance	$ 135,105
Student transportation	49,639
Food services	3,808
Total depreciation expense	$ 188,552

Note 6 - Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Capital lease payable	$ 3,040	$ -	$ 3,040	$ -	$ -
Tax-exempt note payable	449,597	-	56,232	393,365	58,151
Housing incentives payable	5,004	5,007	-	10,011	-
Net pension liability	3,517,706		50,464	3,467,242	-
Other postemployment benefits liability	-	19,241	-	19,241	-
Compensated absences	49,857	10,374	15,600	44,631	9,390
Total	$ 4,025,204	$ 34,622	$ 125,336	$ 3,934,490	$ 67,541

The following is a summary of long-term liability activity for the year ended June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Capital lease payable	$ 6,688	$ -	$ 3,648	$ 3,040	$ 3,040
Tax-exempt note payable	503,974	-	54,377	449,597	56,232
Housing incentives payable	8,100	2,004	5,100	5,004	-
Net pension liability	3,207,804	309,902	-	3,517,706	-
Compensated absences	48,745	6,029	4,917	49,857	9,390
Total	$ 3,775,311	$ 317,935	$ 68,042	$ 4,025,204	$ 68,662

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, 2018 and 2017 had an outstanding balance as follows:

Purpose	Interest Rates	2018	2017
Energy Conservation Measures	3.36%	$ 393,365	$ 449,597
		$ 393,365	$ 449,597

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

Year ending June 30	Principal	Interest
2019	$ 58,151	$ 28,829
2020	60,135	26,845
2021	62,187	24,793
2022	64,309	22,671
2023	66,503	20,476
2024-2025	82,080	34,068
Total	$ 393,365	$ 157,682

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

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
2019	$ -
2020	3,006
2021	7,005
2022	-
2023	-
Total	$ 10,011

Note 7 - 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.

Liability Insurance

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 for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF 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.

Worker's Compensation

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 8 - Pension Plans

North Dakota Teachers Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2018 and 2017, the District reported a liability of $3,052,905 and $3,277,926, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2017, the District's proportion was 0.222268 percent, which was a decrease of 0.001472 percent from its proportion of 0.223740 percent as of July 1, 2016.

For the year ended June 30, 2018 and 2017, the District recognized pension expense of $283,676 and $299,478, respectively. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,710	$ 33,327	$ 15,481	$ 15,520
Changes of assumptions	217,600	-	273,802	-
Net difference between projected and actual investment earnings on pension plan investments	42,169	-	272,484	-
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	19,501	70,233	24,377	65,787
District's contributions to TFFR subsequent to the measurement date	198,736	-	191,360	-
Total	$ 489,716	$ 103,560	$ 777,504	$ 81,307

$198,736 and $191,360 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019 and 2018, respectively.

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

Years Ended June 30,	Pension Expense Amount
2019	$ 42,491
2020	108,635
2021	67,222
2022	(5,434)
2023	(19,514)
Thereafter	(5,980)
	$ 187,420

Actuarial Assumptions

The total pension liability in the July 1, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2018	June 30, 2017
Inflation	2.75%	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses	7.75%, net of investment expenses
Cost-of-living adjustments	None	None

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

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

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

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

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

	June 30, 2018		June 30, 2017	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Global Equities	58%	6.70%	58%	7.30%
Global Fixed Income	23%	0.80%	23%	0.88%
Global Real Assets	18%	5.20%	18%	5.32%
Cash Equivalents	1%	0.00%	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% and 8% as of June 30, 2017 and 2016, respectively. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study. 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, 2017 and 2016, Actuarial Valuation Report, respectively. 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, 2017 and 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, 2017 and 2016, respectively.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent at June 30, 2017 and 8.00 percent at June 30, 2016, 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 or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.75%	7.75%	8.75%
District's proportionate share of the TFFR net pension liability	$ 4,058,892	$ 3,052,905	$ 2,215,452

	June 30, 2017		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	7.00%	8.00%	6.00%
District's proportionate share of the TFFR net pension liability	$ 4,251,716	$ 3,277,926	$ 2,466,850

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.

North Dakota Public Employees' Retirement System

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions 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 for disabled is set by the NDPERS in the North Dakota Administrative Code

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. 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 24 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, 2018 and 2017, the District reported a liability of $414,337 and $239,780, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.025778 percent, an increase of 0.001175 from its proportion of 0.024603 percent measured as of June 30, 2016.

For the year ended June 30, 2018 and 2017, the District recognized pension expense of $58,338 and $25,964, respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018		June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,463	$ 2,019	$ 3,602	$ 2,220
Changes of assumptions	169,906	9,345	22,105	11,912
Net difference between projected and actual investment earnings on pension plan investments	5,572	-	33,452	-
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	6,366	22,247	-	28,107
District's contributions to PERS subsequent to the measurement date	19,831	-	17,315	-
Total	$ 204,138	$ 33,611	$ 76,474	$ 42,239

$19,831 and $17,315 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019 and 2018, respectively.

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

Years Ended June 30,	Pension Expense Amount
2019	$ 31,741
2020	39,388
2021	33,601
2022	28,101
2023	17,865
Thereafter	-
	$ 150,696

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2018
Inflation	3.50%
Salary Increases	
Service at beginning of year	
0	15.00%
1	10.00%
2	8.00%
Age*	
Under 36	8.00%
36-40	7.50%
41-49	6.00%
50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment Rate of Return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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:

Assumptions	June 30, 2017
Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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:

	June 30, 2018		June 30, 2017	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%	31%	6.60%
International Equity	21%	6.70%	21%	7.30%
Private Equity	5%	10.20%	5%	10.90%
Domestic Fixed Income	17%	1.43%	17%	1.49%
International Fixed Income	5%	-0.45%	5%	-0.45%
Global Real Assets	20%	5.16%	20%	5.24%
Cash Equivalents	1%	0.00%	1%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44% as of June 30, 2017.

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 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 6.44 percent as of June 30, 2018 and 8.00 percent as of June 30, 2017, 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate as of June 30, 2018, and 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate as of June 30, 2017:

	June 30, 2018		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	5.44%	6.44%	7.44%
District's proportionate share of the PERS net pension liability	$ 562,475	$ 414,337	$ 291,092

	June 30, 2017		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	7.00%	8.00%	9.00%
District's proportionate share of the PERS net pension liability	$ 340,124	$ 239,780	$ 155,236

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 9 - Other Postemployment Benefits

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Employer reported a liability of $19,241for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the Employer's proportion was 0.024324 percent.

For the year ended June 30, 2018, the Employer recognized OPEB expense of $2,285. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 469
Changes of assumptions	1,864	-
Net difference between projected and actual investment earnings on OPEB plan investments	-	727
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	-	214
District's contributions subsequent to the measurement date	3,175	-
Total	$ 5,039	$ 1,410

$3,175 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Years Ended June 30,	OPEB Expense Amount
2019	$ 2
2020	2
2021	2
2022	2
2023	184
Thereafter	262
	$ 454

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPEB
Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	37%	5.80%
Sm Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.50%	7.50%	8.50%
District's proportionate share of the PERS net OPEB liability	$ 24,087	$ 19,241	$ 15,086

Note 10 - Lease Commitments

The School District has various operating leases for office equipment. Rent expense totaled $12,927 and $8,009 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments under the operating leases at June 30, 2018 are as follows:

Year ending June 30	Future Payments
2019	$ 7,164
2020	7,164
2021	7,164
2022	7,164
2023	597
Total	$ 29,253

Note 11 - Transfers

There were no transfers in and out for the year ended June 30, 2018:

The following shows the transfers in and out for the year ended June 30, 2017:

Fund	Transfer In	Transfer Out
General Fund	$ 50,000	$ 250,000
Building Fund	250,000	-
Non-major fund	-	50,000
Total	$ 300,000	$ 300,000

Note 12 - Expenditures in Excess of Appropriations

The School District exceeded the budget for expenditures in the General Fund by $64,018 and $77,871 in the years ended June 30, 2018 and 2017, respectively. The expenditures were covered by significant excess revenues from 2017.

Note 13 - Restatement of Beginning Net Position

During 2016, total employer contributions were not considered when calculating the deferred outflows related to the net pension liability. The District has restated fund balance as of July 1, 2016 to reflect to correct deferred outflows.

The effect of the restatement is as follows:

Net Position - June 30, 2016, as previously reported	$ 855,860
Deferred outflows of resources related to contributions made during the year ended June 30, 2016	177,758
Net Position - July 1, 2016, as restated	$ 1,033,618

Required Supplementary Information
June 30, 2018 and 2017

Center-Stanton Public School District No. 1

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 734,633	$ 734,633	$ 886,040	$ 151,407
County sources	275,000	275,000	313,298	38,298
State sources	2,091,769	2,091,769	2,103,368	11,599
Federal sources	91,519	91,519	80,084	(11,435)
Other sources	150	150	313	163
Total revenues	3,193,071	3,193,071	3,383,103	190,032
Expenditures				
Current				
Regular instruction	2,024,878	2,024,878	2,036,946	(12,068)
Federal programs	87,941	87,941	78,497	9,444
Vocational education	87,264	87,264	91,019	(3,755)
District wide services	51,300	51,300	49,202	2,098
Administration	276,762	276,762	282,590	(5,828)
Operations & maintenance	430,419	430,419	320,087	110,332
Student transportation	191,568	191,568	188,960	2,608
Student activities	130,880	130,880	160,268	(29,388)
Community services	45,284	45,284	67,859	(22,575)
Tuition and assessments	57,500	57,500	37,731	19,769
Food services	88,542	88,542	99,787	(11,245)
Capital outlay	-	-	33,390	(33,390)
Debt service		-		
Principal	-	-	59,272	(59,272)
Interest	-	-	30,748	(30,748)
Total expenditures	3,472,338	3,472,338	3,536,356	(64,018)
Excess of revenues over (under) expenditures	(279,267)	(279,267)	(153,253)	126,014
Other financing sources (uses)				
Transfers in	35,000	35,000	-	(35,000)
Total other financing sources	35,000	35,000	-	(35,000)
Net change in fund balances	(244,267)	(244,267)	(153,253)	91,014
Fund balance - Beginning	895,080	895,080	895,080	-
Fund balance - Ending	$ 650,813	$ 650,813	$ 741,827	$ 91,014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 685,133	$ 685,133	$ 883,122	$ 197,989
County sources	336,500	336,500	277,135	(59,365)
State sources	2,164,137	2,164,137	2,100,032	(64,105)
Federal sources	103,035	103,035	92,765	(10,270)
Other sources	40,000	-	187	187
Total revenues	3,328,805	3,288,805	3,353,241	64,436
Expenditures				
Current				
Regular instruction	1,914,213	1,914,213	1,947,809	(33,596)
Federal programs	99,315	99,315	88,907	10,408
Vocational education	83,550	83,550	88,287	(4,737)
District wide services	45,325	45,325	29,149	16,176
Administration	273,405	273,405	269,118	4,287
Operations & maintenance	398,518	398,518	366,398	32,120
Student transportation	204,860	204,860	178,036	26,824
Student activities	138,125	138,125	156,475	(18,350)
Community services	42,780	42,780	44,998	(2,218)
Tuition and assessments	55,500	55,500	-	55,500
Food services	86,633	86,633	92,282	(5,649)
Capital outlay	-		68,008	(68,008)
Debt service				
Principal	-	-	58,025	(58,025)
Interest	-	-	32,603	(32,603)
Total expenditures	3,342,224	3,342,224	3,420,095	(77,871)
Excess of revenues over (under) expenditures	(13,419)	(53,419)	(66,854)	(13,435)
Other financing sources (uses)				
Transfers in	-	40,000	50,000	10,000
Transfers out	-	-	(250,000)	(250,000)
Total other financing uses	-	40,000	(200,000)	(240,000)
Net change in fund balances	(13,419)	(13,419)	(266,854)	(253,435)
Fund balance - July 1	1,161,934	1,161,934	1,161,934	-
Fund balance - June 30	$ 1,148,515	$ 1,148,515	$ 895,080	$ (253,435)

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.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERS	6/30/2014	0.028866%	$ 183,219	$ 243,165	75.35%	77.70%
PERS	6/30/2015	0.028766%	$ 195,604	$ 249,791	78.31%	77.15%
PERS	6/30/2016	0.024603%	$ 239,780	$ 247,944	96.71%	70.46%
PERS	6/30/2017	0.025778%	$ 414,337	$ 263,152	157.45%	61.98%
TFFR	6/30/2014	0.227371%	$ 2,382,445	$ 1,318,874	180.64%	66.60%
TFFR	6/30/2015	0.230316%	$ 3,012,200	$ 1,416,217	212.69%	62.10%
TFFR	6/30/2016	0.223740%	$ 3,277,926	$ 1,453,696	225.49%	59.20%
TFFR	6/30/2017	0.222268%	$ 3,052,905	$ 1,500,244	203.49%	63.20%

*Complete data for this schedule is not available prior to 2014.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Statutorily required contribution
PERS	6/30/2015	$ 17,785	$ 17,785	$ -	$ 249,791	7.12%
PERS	6/30/2016	$ 16,734	$ 16,734	$ -	$ 235,025	7.12%
PERS	6/30/2017	$ 17,950	$ 17,950	$ -	$ 278,519	6.44%
PERS	6/30/2018	$ 19,082	$ 19,082	$ -	$ 278,204	6.86%
TFFR	6/30/2015	$ 180,568	$ 180,568	$ -	$ 1,416,217	12.75%
TFFR	6/30/2016	$ 185,346	$ 185,346	$ -	$ 1,453,697	12.75%
TFFR	6/30/2017	$ 185,346	$ 185,346	$ -	$ 1,500,864	12.35%
TFFR	6/30/2018	$ 191,281	$ 191,281	$ -	$ 1,558,712	12.27%

*Complete data for this schedule is not available prior to 2014.

Schedule of Employer's Share of Net OPEB Liability
Last 10 Fiscal Years *

Other Post Employment Benefits Plan	Measurement Date	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
NDRHICF	6/30/2017	0.024324%	$ 19,241	$ 263,152	7.31%	59.78%

*Complete data for this schedule is not available prior to 2017.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Other Post Employment Benefits Plan	Fiscal Year Ending	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Statutorily required contribution
NDRHICF	6/30/2018	$ 3,059	$ 3,059	$ -	$ 249,791	1.22%

*Complete data for this schedule is not available prior to 2017

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.

Notes to the Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.

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, 2018 and 2017, 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 January 24, 2019.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Center-Stanton Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center-Stanton Public School District'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 2018-A, 2018-B and 2018-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*.

Response to Findings
Center-Stanton Public School District No. 1's responses to the findings identified in our audit are described in the School District's Corrective Action Plan. 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
January 24, 2019

Current Audit Findings and Recommendations – Financial Statements

2018-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.

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.

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.

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 - The School District feels that the costs for hiring additional staff would not be significantly beneficial. The School District does currently mitigate this situation by the approval of all checks by action of the School Board. The School District will continue to look for further opportunities to segregate duties.

2018-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 reconcilements of all general ledger accounts.

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.

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.

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 - The School District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.

2018-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.

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.

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

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 - No action is planned on the finding. The School District will continue to have the auditors prepare the financial statements; however, the School District has established an internal control policy to document the annual review of the financial statements by the School Board and management.