

**FORT TOTTEN PUBLIC SCHOOL
DISTRICT NO. 30
Fort Totten, North Dakota**

***REPORT ON FINANCIAL STATEMENTS
(with supplementary information)
Year Ended June 30, 2018***

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
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INDEPENDENT AUDITORS' REPORT

School Board

Fort Totten Public School District No. 30

Fort Totten, 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 **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**, Fort Totten, North Dakota as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT – continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**, Fort Totten, North Dakota, as of June 30, 2018 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 39 through 40, 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 **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, on our consideration of the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of

INDEPENDENT AUDITORS' REPORT – continued

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** 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 **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** internal control over financial reporting and compliance.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
March 27, 2019

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2018

The Management's Discussion and Analysis (MD&A) of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** (known as the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2017 - 2018 are as follows:

- Net position of the District increased \$1,025,590 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$1,628,402.
- Total government-wide revenues from all sources were \$4,546,470.
- Total government-wide expenditures were \$3,520,880.
- The District's general fund had \$3,829,702 in total revenues and \$3,307,571 in total expenditures. Overall, the general fund balance increased by \$353,972 for the year ended June 30, 2018.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30** as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

REPORTING ON THE DISTRICT AS A WHOLE

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

These statements are summaries of all funds used by the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30** to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2018?"

The Statement of Net Position presents information on all the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presenting amounts using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, earned but unused sick leave and vacation leave).

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of buildings and grounds, student transportation and co-curricular activities.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

BALANCE SHEET – GOVERNMENTAL FUNDS

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. The general and capital project funds are all considered major funds using the criteria established by GASB Statement No. 34.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I provides a summary of the District's net position as of June 30, 2018 and 2017.

Table I
NET POSITION
June 30,

	2018	2017
ASSETS		
Current assets	\$ 1,321,702	\$ 1,957,717
Capital assets (net of depreciation)	4,134,460	3,356,936
Deferred outflows of resources	864,866	886,730
Total Assets and Deferred Outflows of Resources	<u>6,321,028</u>	<u>6,201,383</u>
LIABILITIES		
Current liabilities	350,330	1,354,579
Long-term debt	3,984,617	3,869,197
Total Liabilities	<u>4,334,947</u>	<u>5,223,776</u>
Deferred Inflows of Resources	<u>357,679</u>	<u>341,371</u>
NET POSITION		
Net investment in capital assets	4,134,460	3,356,936
Unrestricted	(2,506,058)	(2,720,700)
Total Net Position	<u>1,628,402</u>	<u>636,236</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,321,028</u>	<u>\$ 6,201,383</u>

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

As indicated in the financial highlights above, the District's net position increased by \$1,025,590 as a result of operations for the year ended June 30, 2018. The District recorded an increase of \$3,322,885 as a result of operations for the year ended June 30, 2017. Changes in net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$1,628,402 is segregated into two separate categories. Net investment in capital assets represents the largest portion of the District's total net position. It should be noted that these assets are not available for future spending. The balance consists of unrestricted net position.

Table II shows the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Table II
CHANGES IN NET POSITION
Years Ended June 30

	2018		2017	
REVENUES				
Program revenues				
Charges for services	\$ 675	.02%	\$ 21,776	.32%
Operating grants and contributions	946,182	20.81	1,009,651	14.79
Capital grants and contributions	712,505	15.67	3,289,677	48.18
General revenues				
Property taxes	51,505	1.13	39,640	.58
State aid - unrestricted	1,535,296	33.77	1,467,099	21.49
Federal aid - unrestricted	1,298,839	28.57	999,422	14.64
Investment earnings	1,468	.03	589	
Total Revenues	<u>4,546,470</u>	<u>100.00</u>	<u>6,827,854</u>	<u>100.00</u>
EXPENSES				
Business support services	41,872	1.19	37,422	1.07
Instructional support services	72,663	2.06	109,624	3.13
Administrative services	451,152	12.81	454,570	12.97
Operation and maintenance of plant	83,812	2.38	77,863	2.22
Transportation	290,785	8.26	280,829	8.01
Regular instruction	1,786,758	50.75	1,740,441	49.66
Special education	441,885	12.55	480,862	13.72
Vocational instruction	215,803	6.13	184,239	5.25
Extra-curricular activities	136,150	3.87	139,119	3.97
Total Expenses	<u>3,520,880</u>	<u>100.00%</u>	<u>3,504,969</u>	<u>100.00%</u>
Change in Net Position	1,025,590		3,322,885	
Beginning Net Position	636,236		(2,686,649)	
Prior period correction	<u>(33,424)</u>			
Ending Net position	<u>\$1,628,402</u>		<u>\$ 636,236</u>	

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

Unrestricted federal aid constituted 29%, unrestricted state aid 34%, and capital and operating grants and contributions made up 36% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2018. Unrestricted federal aid constituted 15%, unrestricted state aid 21% and capital and operating grants and contributions made up 63% of the total revenues of governmental activities of the District for the fiscal year ended June 30, 2017.

Regular instruction constituted 51%, special education 13% and vocational education 6% of total expenditures for governmental activities during fiscal year 2017-2018. Regular instruction constituted 50%, special education 14% and vocational education 5% of the total expenditures for governmental activities during fiscal year 2016-2017.

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

Table III
TOTAL AND NET COST OF SERVICES

	Total Costs Year Ended June 30, 2018	Net Costs Year Ended June 30, 2018	Total Costs Year Ended June 30, 2017	Net Costs Year Ended June 30, 2017
Business support services	\$ 41,872	\$ (41,872)	\$ 37,422	\$ (37,422)
Instructional support services	72,663	(72,663)	109,624	(109,624)
Administrative services	451,152	(451,152)	454,570	(454,570)
Operation and maintenance of plant	83,812	628,693	77,863	3,211,814
Transportation	290,785	(128,005)	280,829	(101,435)
Regular instruction	1,786,758	(1,132,043)	1,740,441	(1,012,617)
Special education	441,885	(379,519)	480,862	(409,041)
Vocational instruction	215,803	(148,807)	184,239	(131,851)
Extra-curricular activities	136,150	(136,150)	139,119	(139,119)
Total Expenses	<u>\$ 3,520,880</u>	<u>\$ (1,861,518)</u>	<u>\$ 3,504,969</u>	<u>\$ 816,135</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's resources available for spending as of the end of the fiscal year. Those funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$4,542,208 and expenditures of \$4,188,236 for the year ended June 30, 2018. The District's governmental funds had total revenues of \$6,827,805 and expenditures of \$6,579,423 for the year ended June 30, 2017. As of June 30, 2018, the unassigned fund balance of the District's general funds was \$965,932. As of June 30, 2017, the unassigned fund balance of the District's general fund was \$611,960.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

GENERAL FUND BUDGET HIGHLIGHTS

Actual revenue for the year ended June 30, 2018, was \$311,636 more than was budgeted. This was mainly due to more federal revenue than was budgeted. Actual expenditures for the year ended June 30, 2018, was \$183,433 less than was budgeted. There were budget variations in most of the budget lines; however, the special education budget was \$105,704 more than what was spent.

CAPITAL ASSETS

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30 had \$4,134,460 invested in capital assets as of June 30, 2018. Table IV shows the balances as of June 30, 2018 and 2017.

Table IV
CAPITAL ASSETS (net of accumulated depreciation)
June 30,

	2018	2017
Construction in progress	\$	\$ 3,325,750
Building and improvements	4,157,415	
Furniture, equipment and vehicles	475,320	425,175
Less accumulated depreciation	(498,275)	(393,989)
Total Capital Assets (net of depreciation)	<u>\$ 4,134,460</u>	<u>\$ 3,356,936</u>

This total represents an increase of \$777,524 in net capital assets from July 1, 2017. For a detailed breakdown of additions and deletions to capital assets, readers are referred to note 5 to the audited financial statements that follow this analysis.

DEBT ADMINISTRATION

At June 30, 2018, the District had \$3,984,617 of outstanding long-term debt. Of this amount, \$68,895 is for compensated absences, and \$3,915,722 is for the net pension obligations and OPEB liability.

Table V
Long-Term Debt at June 30

	2018	2017
Compensated absences	\$ 68,895	\$ 81,547
Net pension obligation – TFFR	3,165,362	3,451,561
Net pension obligation – PERS	717,062	346,089
Net OPEB liability	33,298	
Total	<u>\$ 3,984,617</u>	<u>\$ 3,879,197</u>

For more detailed information on the District's debt, please refer to note 6 of the basic financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

FOR THE FUTURE

Long-term enrollment projections are looking to remain steady; therefore, budgeting will continue to reflect the changes in revenue that may or may not occur. Grants will continue to be pursued to support local, state, and federal funding. Competitive salaries and ongoing professional development will also be high priorities for funding, as well as continuing to review personnel and building needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** finances and to show the District's accountability for the money it receives. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact the Business Manager of Fort Totten Public School District No. 30, Fort Totten, ND 58335; phone 701-537-5414.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota
STATEMENT OF NET POSITION
June 30, 2018**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 569,855
Due from other governmental agencies	751,847
Capital assets	
Building and improvements	4,157,415
Furniture, equipment and vehicles	475,320
Less: accumulated depreciation	(498,275)
Total Capital Assets	<u>4,134,460</u>
Total Assets	<u>5,456,162</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions - TFFR	458,350
Deferred outflows of resources related to pensions - PERS	397,856
Deferred outflows of resources related to OPEB	8,660
Total Deferred Outflows of Resources	<u>864,866</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 6,321,028</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 349,567
Due to student body activities	563
Due to other funds	200
Long-term liabilities	
Due in more than one year	
Compensated absences	68,895
Net pension obligation - TFFR	3,165,362
Net pension obligation - PERS	717,062
Net OPEB liability	33,298
Total Liabilities	<u>4,334,947</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions - TFFR	298,841
Deferred inflows of resources related to pensions - PERS	56,253
Deferred inflows of resources related to pensions - OPEB	2,585
Total Deferred Inflows of Resources	<u>357,679</u>
NET POSITION	
Net investment in capital assets	4,134,460
Unrestricted	(2,506,058)
Total Net Position	<u>1,628,402</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u><u>\$ 6,321,028</u></u>

The accompanying notes are an integral part of these financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>	<u>Expenses</u>			
<u>Primary government</u>				
Business support services	\$ 41,872	\$	\$	\$ (41,872)
Instructional support services	72,663			(72,663)
Administration services	451,152			(451,152)
Operation and maintenance of plant	83,812		712,505	628,693
Transportation	290,785		162,780	(128,005)
Regular instruction	1,786,758	675	654,040	(1,132,043)
Special education	441,885		62,366	(379,519)
Vocational education	215,803		66,996	(148,807)
Extracurricular activities	136,150			(136,150)
Total Governmental Activities	\$ 3,520,880	\$ 675	\$ 946,182	(1,861,518)

General revenues:

Property taxes	51,505
Aids and payments from the state	1,535,296
Unrestricted federal aid	1,298,839
Unrestricted investment earnings	1,468
Total general revenues, special items, and transfers	2,887,108
Change in net position	1,025,590
Net position:	
Beginning of year	636,236
Restatement due to implementation of GASB No. 75	(33,424)
Beginning of year, as restated	602,812
Net position - ending	\$ 1,628,402

The accompanying notes are an integral part of these financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota
BALANCE SHEET
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and cash equivalents	\$ 569,855	\$	\$ 569,855
Taxes receivable, net	5,504		5,504
Receivable from other governments	746,343		746,343
Total Assets and Deferred Outflows of Resources	<u>\$ 1,321,702</u>	<u>\$</u>	<u>\$ 1,321,702</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 155,315	\$	\$ 155,315
Accrued contracts and benefits	194,252		194,252
Due to other funds	763		763
Total Liabilities	<u>350,330</u>		<u>350,330</u>
Deferred inflows of resources:			
Unavailable revenue	<u>5,440</u>		<u>5,440</u>
Fund balances:			
Unassigned	<u>965,932</u>		<u>965,932</u>
Total Fund Balances	<u>965,932</u>		<u>965,932</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,321,702</u>	<u>\$</u>	<u>\$ 1,321,702</u>

The accompanying notes are an integral part of these financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2018

Total fund balance, governmental funds	\$	965,932
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	4,134,460
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	5,440
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Net OPEB liability and OPEB related deferred: outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:

Net OPEB liability	(33,298)
Deferred outflows of resources	8,660
Deferred inflows of resources	(2,585)

Net PERS pension liability and pension related deferred: outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:

Net pension liability	(717,062)
Deferred outflows of resources	397,856
Deferred inflows of resources	(56,253)

Net TFFR pension liability and pension related deferred: outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:

Net pension liability	(3,165,362)
Deferred outflows of resources	458,350
Deferred inflows of resources	(298,841)

Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

(68,896)

Net Position of Governmental Activities in the Statement of Net Position	\$	1,628,402
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The accompanying notes are an integral part of these financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local property tax levies	\$ 11,876	\$	\$ 11,876
Other local and county sources	35,993	121,500	157,493
State sources	1,765,198		1,765,198
Federal sources	2,015,117	591,006	2,606,123
Investment earnings	1,468		1,468
Miscellaneous	50		50
Total Revenues	<u>3,829,702</u>	<u>712,506</u>	<u>4,542,208</u>
EXPENDITURES			
Current			
Business support services	41,872		41,872
Instructional support services	78,796		78,796
Administration	441,869		441,869
Operations and maintenance	83,812		83,812
Transportation	290,785		290,785
Regular	1,622,684		1,622,684
Special education	441,885		441,885
Vocational education	169,718		169,718
Extracurricular activities	136,150		136,150
Capital Outlay		880,665	880,665
Total Expenditures	<u>3,307,571</u>	<u>880,665</u>	<u>4,188,236</u>
Excess (deficiency) of revenues over expenditures	<u>522,131</u>	<u>(168,159)</u>	<u>353,972</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		168,159	168,159
Transfers out	(168,159)		(168,159)
Total other financing sources (uses)	<u>(168,159)</u>	<u>168,159</u>	<u></u>
Net change in fund balances	353,972		353,972
Fund balances - beginning	611,960		611,960
Fund balances - ending	<u>\$ 965,932</u>	<u>\$</u>	<u>\$ 965,932</u>

The accompanying notes are an integral part of these financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
Year Ended June 30, 2018

Net change in fund balances - total governmental funds:	\$	353,972
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay \$881,809 exceeded depreciation \$104,286 in the current period.		777,523
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		4,261
---	--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.		12,654
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Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension expense		(122,820)
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Change in net position of governmental activities	\$	1,025,590
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The accompanying notes are an integral part of these financial statements.

Fort Totten Public School District No. 30

Fort Totten, North Dakota

STATEMENT OF ASSETS AND LIABILITIES

Fiduciary Funds

June 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 19,308
Due from Fort Totten PSD - general fund	<u>563</u>
Total Assets	<u><u>19,871</u></u>
LIABILITIES	
Due to student organizations	<u>19,871</u>
Total Liabilities	<u><u>\$ 19,871</u></u>

The accompanying notes are an integral part of these financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

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

A. Description of the Reporting Entity

The **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30** is organized under the laws of the State of North Dakota. It is governed by an elected five member board and provides a system of free public schools for all children of legal age residing within the district. It operates the pre K and high school in Fort Totten, North Dakota.

B. Reporting Entity

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. No component units of the District have been excluded from this report.

C. Basis of Presentation

District –Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

C. Basis of Presentation – continued

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
3. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are utilized to account for most of the District's governmental functions. The District's major governmental funds are as follows:

General Fund

The General Fund is the operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund

The Building Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Fiduciary Funds (not included in district-wide statements)

Agency Funds

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, and /or other governmental units.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

D. Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental funds and agency funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest not matured on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property tax revenues in the governmental funds are recorded when it becomes available.

Property taxes are levied and certified no later than October 10 and property taxes attach as an enforceable lien on property as of January 1 and are due and payable at that time. The first installment of taxes becomes delinquent March 1 and the second installment on October 15. The taxes are collected by the County Treasurer and remitted to the District on a monthly basis.

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided by other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the district has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

E. Measurement Focus

On the government-wide Statement of Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

Liabilities for claims, judgments, compensated absences and pension contributions that will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

F. 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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

G. Deposits

The District maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 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 instrumentality's, 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 investment 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 instrumentality's, or by any county, city, township, school district, park district, or 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 any other state of the United States or such other securities approved by the banking board.

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

Credit risk. North Dakota state statute authorizes school districts to invest their surplus funds in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

G. Deposits - continued

3. Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or by the state.
4. Obligations of the state.

The District has no cash and cash equivalents other than demand and time deposits.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, the District's deposits were insured or collateralized with securities held by the financial institutions in the District's name. (See note 2)

H. Cash Flow Information

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

I. Capital Assets

District-Wide Statements

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$750. Donated capital assets are recorded at their fair market value at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

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

Building and improvements	20 - 50 years
Furniture, equipment and vehicles	5 - 8 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

J. Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

J. Long-Term Obligations - continued

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of compensated absences, net pension obligations and OPEB liability.

K. Compensated Absences

The District allows employees fifteen (15) days of sick leave/family leave/emergency leave annually which may be accumulated to 165 days. At the end of each school year, any days over 150 will be bought back by the school board at the rate of \$75 per day. The board shall buy back any unused sick leave/family leave/emergency leave days whenever an employee leaves the school district, after five years of employment, at the rate of \$80 per day.

L. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, or other borrowings that are attributable to the acquisitions, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
2. Restricted net position – consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, b) law through constitutional provisions or enabling legislation. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Balances

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

L. Equity Classifications - continued

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the School Board.

Assigned – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the 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 a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District currently has deferred outflows of resources related to pensions.

In addition to liabilities, the 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 a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District currently has deferred inflows of resources related to pensions. The District has unavailable revenue from a variety of resources in the governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Pensions

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2018****N. Pensions - continued**

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.

For the purposes of measuring the net Other Post Employment Benefits (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 the 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.

2. Cash and Cash Equivalents

The following summary presents the amount of the District's deposits which are fully insured or collateralized with securities held by the District or its agent in the District's name (category 1), those deposits which are collateralized with securities held by the pledging financial institutions trust department or agent in the District's name (category 2), and those deposits which are not collateralized (category 3) at June 30, 2018.

	<u>Category 1</u>	<u>Category 2</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental activities				
Cash and cash equivalents	\$ 409,480	\$ 207,748	\$ 617,228	\$ 569,855
Agency funds				
Cash and cash equivalents	19,208		19,208	19,308
	<u>\$ 428,688</u>	<u>\$ 207,748</u>	<u>\$ 636,436</u>	<u>\$ 589,163</u>

3. Receivables from Other Governments

Property taxes	\$ 5,504
Mckinney Vento grant	3,920
Carl Perkins	37,693
CTE reimbursement	50,765
Special education boarding cost	16,231
IDEA B Grant	62,238
Title I	408,017
Title II Part A	136,832
Title IV	10,822
Title VII Impact aid	19,825
	<u>\$ 751,847</u>

4. Interfund Transfers

Transfers to/from other funds at June 30, 2018, consists of the following:

Transfer from the general fund to the building fund to match grant	<u>\$ 168,159</u>
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FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2018****5. Capital Assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

<i>Governmental Activities</i>	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Construction in progress	\$ 3,325,750	\$	\$3,325,750	\$
Capital Assets Being Depreciated				
Building and improvements		4,157,415		4,157,415
Furniture, equipment and vehicles	425,175	50,145		475,320
Total Capital Assets	<u>3,750,925</u>	<u>4,207,560</u>	<u>3,325,750</u>	<u>4,632,735</u>
Less Accumulated Depreciation for				
Building and improvements		80,207		80,207
Furniture, equipment and vehicles	393,989	24,079		418,068
Total Accumulated Depreciation	<u>393,989</u>	<u>104,286</u>		<u>498,275</u>
Net Capital Assets	<u>\$ 3,356,936</u>	<u>\$ 4,103,274</u>	<u>\$ 3,325,750</u>	<u>\$ 4,134,460</u>

In the governmental activities section of the Statement of Activities, depreciation was charged to the following governmental functions:

Alternative education	\$ 46,929
Career & technology	46,929
Administration	<u>10,428</u>
	<u>\$ 104,286</u>

6. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2018, was as follows:

Primary Government

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Vested compensated absences	\$ 81,547	\$	\$ 12,652	\$ 68,895	\$
Net pension obligation - TFFR	3,451,561		286,199	3,165,362	
Net pension obligation - PERS	346,089	370,973		717,062	
Net OPEB liability		33,298		33,298	
Total Long-Term Liabilities	<u>\$ 3,879,197</u>	<u>\$ 404,271</u>	<u>\$ 298,851</u>	<u>\$ 3,984,617</u>	<u>\$</u>

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

7. North Dakota Teachers' Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to the 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.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

7. North Dakota Teachers' Fund for Retirement - continued

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 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 on 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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2018****7. North Dakota Teachers' Fund for Retirement - continued**

employment must claim a refund of contributions paid before age 70 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2018, the District reported a liability of \$3,165,362 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, 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 .230455% which was a decrease of .005137% from its proportion measured as of July 1, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$247,913. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,141	\$ 34,554
Changes in assumptions	225,615	
Net difference between projected and actual earnings on pension plan investments	43,723	
Changes in proportion and differences between employer contributions and proportionate share of contributions		264,287
District contributions subsequent to the measurement date	176,871	
Total	<u>\$ 458,350</u>	<u>\$ 298,841</u>

Deferred outflows of resources related to pensions in the amount of \$176,871 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.

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

Year ended June 30:	
2019	\$ (2,156)
2020	66,424
2021	23,486
2022	(51,844)
2023	(40,776)
Thereafter	(12,496)

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

7. North Dakota Teachers' Fund for Retirement - continued

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:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017, 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 investments 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.7%
Global Fixed Income	23%	.8%
Global Real Assets	18%	5.2%
Cash Equivalents	1%	0.0%

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2017. 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 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

7. North Dakota Teachers' Fund for Retirement - continued

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 payments for current plan members as of July 1, 2017. 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.

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, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 4,208,405	\$ 3,165,362	\$ 2,297,060

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.

8. 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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). 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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

8. North Dakota Public Employees Retirement System - continued

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 payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

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:

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2018****8. North Dakota Public Employees Retirement System - continued**

- 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 of \$25

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

At June 30, 2018, the District reported a liability of \$717,062 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2017, 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 July 01, 2017, the District's proportion was .044612 percent which was an increase of .009101 from its proportion measured as of July 1, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$109,782. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,262	\$ 3,494
Changes of assumptions	294,043	16,173
Net difference between projected and actual earnings on pension plan investments	9,644	
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,960	36,586
District contributions subsequent to the measurement date	33,947	
Total	<u>\$ 397,856</u>	<u>\$ 56,253</u>

Deferred outflows of resources related to pensions in the amount of \$33,947 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.

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

Year ended June 30:	
2019	\$ 63,753
2020	76,985
2021	67,116
2022	63,792
2023	36,010

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2018****8. North Dakota Public Employees Retirement System - continued**

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:

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	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	

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

8. North Dakota Public Employees Retirement System - continued

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 difference 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 net).

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%.

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 6.44 percent, as well as what the District'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:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
District's proportionate share of the net pension liability	\$ 973,433	\$ 717,061	\$ 503,771

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

9. Other Post Employment Benefits (OPEB)

The following brief description of the NDPERS (OPEB) 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 the 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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

9. Other Post Employment Benefits (OPEB) - continued

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 the selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2018, the District reported a liability of \$33,298 for 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 District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the District's proportion was .042096%.

For the year ended June 30, 2018, the District recognized OPEB expenses of \$3,933. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2018****9. Other Post Employment Benefits (OPEB) - continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 812
Changes in assumptions	3,225	
Net difference between projected and actual earnings on OPEB plan investments		1,259
Changes in proportion and difference between employer contributions and proportionate share of contributions		514
District contributions subsequent to the measurement date	5,435	
Total	<u>\$ 8,660</u>	<u>\$ 2,585</u>

\$5,435 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:

Year ended June 30:	
2019	\$ (18)
2020	(18)
2021	(18)
2022	297
2023	297
Thereafter	118

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:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, 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 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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**Fort Totten, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2018****9. Other Post Employment Benefits (OPEB) - continued**

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37%	5.8%
Small 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 7.75%. 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 District'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 7.5%, 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (6.5%)</u>
District's proportionate share of the net OPEB liability	\$ 41,686	\$ 33,298	\$ 26,109

10. Risk Management

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses on one million dollars per occurrence.

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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

10. Risk Management - continued

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

11. Contingencies

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2018.

12. Restatement

The June 30, 2017, ending net position was restated by \$33,424. **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30** posted a prior period adjustment in 2017 in order to comply with Governmental Accounting Standards Board (GASB) Statement No. 75 related to OPEB benefits. The adjustment recognized the initial balance of the net OPEB liability associated with the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**'s participation in the NDPERS OPEB plan.

Net position, June 30, 2017, as previously reported	\$ 636,236
Restatement due to implementation of GASB No.75, effect on net position	(33,424)
Net position, June 30, 2017	<u>\$ 602,812</u>

REQUIRED SUPPLEMENTARY INFORMATION

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota
BUDGET AND ACTUAL (With Variances)
 General Fund
 Year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 34,000	\$ 34,000	\$ 11,876	\$ (22,124)
Other local and county sources	8,500	33,060	35,993	2,933
State sources	1,728,022	1,728,022	1,765,198	37,176
Federal sources	1,685,601	1,722,399	2,015,117	292,718
Federal sources - construction aid	950,000			
Investment earnings	585	585	1,468	883
Miscellaneous			50	50
Total Revenues	4,406,708	3,518,066	3,829,702	311,636
EXPENDITURES				
Current				
Business support services	41,000	41,000	41,872	(872)
Instructional support services	77,555	111,691	78,796	32,895
Administration	463,807	472,017	441,869	30,148
Operations and maintenance	80,474	81,197	83,812	(2,615)
Transportation	328,641	328,641	290,785	37,856
Regular	1,462,630	1,589,787	1,622,684	(32,897)
Special education	578,859	547,589	441,885	105,704
Vocational education	174,962	176,259	169,718	6,541
Extracurricular activities	137,169	142,823	136,150	6,673
Construction services	1,265,000			
Total Expenditures	4,610,097	3,491,004	3,307,571	183,433
Net change in fund balances	(203,389)	27,062	522,131	495,070
Fund balances - beginning	611,960	611,960	611,960	
Fund balances - ending	\$ 408,571	\$ 639,022	\$ 1,134,091	\$ 495,070

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totton, North Dakota
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
General Fund
Year Ended June 30, 2018

Note A – Budgets and Budgetary Accounting

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

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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.044612%	0.035511%	0.038304%	0.044874%
Employer's proportionate share of the net pension liability	\$ 717,062	\$ 346,089	\$ 260,461	\$ 284,825
Employer's covered payroll	\$ 455,416	\$ 357,864	\$ 380,723	\$ 378,002
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.45%	96.71%	68.41%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

*Complete data for this schedule is not available prior to 2015.

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 33,023	\$ 29,280	\$ 28,443	\$ 31,448
Contributions in relation to the statutorily required contributions	\$ (29,347)	\$ (29,280)	\$ (28,443)	\$ (31,448)
Contribution deficiency (excess)	\$ 3,676	\$	\$	\$
Employer's covered-employee payroll	\$ 455,416	\$ 416,700	\$ 344,540	\$ 380,723
Contributions as a percentage of covered-employee payroll	6.44%	7.03%	8.26%	8.26%

*Complete data for this schedule is not available prior to 2015.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
ND Public Employees Retirement System

1. 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 assumptions.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET OPEB LIABILITY
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>
Employer's proportion of the net OPEB liability	0.042096%
Employer's proportionate share of the net OPEB liability	\$ 33,298
Employer's covered payroll	\$ 455,416
Employer's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>
Statutorily required contributions	\$ 5,294
Contributions in relation to the statutorily required contributions	\$ (4,699)
Contribution deficiency (excess)	\$ 595
Employer's covered-employee payroll	\$ 455,416
Contributions as a percentage of covered-employee payroll	1.03%

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
ND Public Employees Retirement System

1. 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 assumptions.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.230455%	0.235592%	0.250954%	0.250954%
Employer's proportionate share of the net pension liability	\$ 3,165,362	\$ 3,451,561	\$ 3,282,115	\$ 2,760,028
Employer's covered payroll	\$ 1,555,507	\$ 1,530,700	\$ 1,543,627	\$ 1,527,893
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.20%	59.20%	66.60%	62.10%

*Complete data for this schedule is not available prior to 2015.

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

	2018	2017	2016	2015
Statutorily required contributions	\$ 176,871	\$ 180,536	\$ 193,708	\$ 196,803
Contributions in relation to the statutorily required contributions	\$ (176,871)	\$ (180,536)	\$ (193,708)	\$ (196,803)
Contribution deficiency (excess)	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 1,387,228	\$ 1,415,964	\$ 1,519,059	\$ 1,543,627
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	12.75%

*Complete data for this schedule is not available prior to 2015.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
ND Teachers' Fund for Retirement

1. CHANGES OF ASSUMPTIONS. Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015, based on the results of an actuarial study dated April 30, 2015.

Investment return assumption lowered from 8% to 7.75%.

Inflation assumption lowered from 3% to 2.75%.

Total salary scale rates lowered by 0.25% due to lower inflation

Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.

Rates of turnover and retirement were changed to better reflect anticipated future experience.

Update mortality assumption to the RP-2014 mortality tables with generational improvement.

OTHER SUPPLEMENTARY INFORMATION

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHOOL DISTRICT OFFICIALS
June 30, 2018

Shelly Luger	President
ReNa Lohnes	Vice-President
Douglas Yankton	Board Member
Demus McDonald	Board Member
Vernon Lambert	Board Member
Jeff Olson	Superintendent
Megan Weisser	Business Manager

Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA
Duane R. Dunn, CPA
Robert A. Piatz, CPA

**INDEPENDENT AUDITORS' 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

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** basic financial statements and have issued our report thereon dated March 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30'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 **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** internal control. Accordingly, we do not express an opinion on the effectiveness of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (2018-001, 2018-002, 2018-003)

INDEPENDENT AUDITORS' 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* – continued 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's Response to Finding

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
March 27, 2019

Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA
Duane R. Dunn, CPA
Robert A. Piatz, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board

Fort Totten Public School District No. 30

Fort Totten, North Dakota

Report on Compliance for Each Major Federal Program

We have audited **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** major federal programs for the year ended June 30, 2018. **Fort Totten Public School District No. 30's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** compliance.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE – continued - 2**

Opinion on Each Major Federal Program

In our opinion, **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30's** internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
March 27, 2019

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor Program Grant Title	Federal CFDA #	Pass-through Grantor Numbers	Expenditures
U.S. Department of the Interior			
Passed through the Spirit Lake Tribe			
Indian Education – Assistance to Schools			
Johnson O'Malley	15.130		\$ 6,655
Total Department of Interior			<u>6,655</u>
U.S. Department of Education			
Direct Funding			
Title VII Impact aid*	84.041		1,889,843
Title VII ESEA	84.060		43,968
Total Direct Funding			<u>1,933,811</u>
Passed through North Dakota Department of Public Instruction			
Title I Grants to Local Education Agencies	84.010	F84010	408,018
IDEA B Grants for Children with Disabilities	84.027	F84027A	62,238
IDEA B Preschool Grants	84.173	F84173A	6,133
Special Education Cluster			<u>68,371</u>
Title I Education for Homeless Children & Youth	84.196	F84196A	3,920
Title II Part A Teacher Principal Quality Training	84.367	F84367	136,832
Title IV Student Support & Academic Enrichment	84.424	F84424A	10,822
Total Passed through North Dakota Department of Public Instruction			<u>627,963</u>
Passed through North Dakota Department of Career and Technical Education			
Carl Perkins	84.048		37,693
Total Passed through North Dakota Department of Career And Technical Education			<u>37,693</u>
Total U.S. Department of Education			<u>2,599,467</u>
Total Federal Funds			<u>\$ 2,606,122</u>

* MAJOR PROGRAM

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30** under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**.

B. Basis of Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. **FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30** has elected not to use the 10-percent de minimis indirect cost rate as allotted under the Uniform Guidance.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

A. Summary of Auditors' Results

Financial Statements

Type of Auditors' Report - Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	None reported

Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None reported

Type of auditors' report issued on compliance for major programs – unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<u> </u>	Yes	<u> X </u>	No
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Identification of major programs

84.041	Title VIII Impact Aid
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Dollar threshold used to distinguish between type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No
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FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
Year Ended June 30, 2018

B. Findings Related to the Financial Statements which are Required to be Reported in Accordance With Government Auditing Standards.

Finding 2018-001 Financial Statement Preparation - Material Weakness

Criteria

An appropriate system of internal controls requires that the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The District's auditors prepared the financial statements as of June 30, 2018. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Effect

The District currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

View of Responsible Officials

See correction action plan below.

Finding 2018-002 Reconciliations and Account Review Analysis - Material Weakness

Criteria

The general ledger should be complete and accurate with reconciliations and account review analysis being performed on a monthly basis to help detect and avoid potential misstatements.

Condition

It was noted that a detailed general ledger account review analysis and reconciliations to general ledger accounts was not performed on a regular basis throughout the year ended June 30, 2018.

Effect

This could result in revenue and expense accounts being overstated and understated. Program directors are not able to review budget to actual information for their respective grants on a timely basis which could result in improper reporting and subsequent grant budgeting.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
Year Ended June 30, 2018

Recommendation

We recommend that procedures be implemented to ensure reconciliations be performed on a periodic basis throughout the year and reviewed by management. Program directors should receive detailed general ledger reports on a monthly basis so that they can reconcile to their approved grant budget. This monthly analysis should be kept by program directors to indicate that proper monitoring procedures have been performed.

View of Responsible Officials

See correction action plan below.

Finding 2018-003 Segregation of Duties – Significant Deficiency

Criteria

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

Condition

The District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipt documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the entity, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited. Segregation of duties has been enhanced by the business manager having the superintendent review any questionable bills to determine whether they should be paid. The school board also received a vendor listing each month of what bills were paid.

Effect

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

Recommendation

The District should separate the duties when it becomes feasible.

View of Responsible Officials

See correction action plan below.

C. Findings and Questioned Costs – Major Federal Award Programs Audit.

1. None

School Board
Justin Yankton,
President
ReNa Lohnes,
Vice President
Vern Lambert
Lynette Lovejoy
Doug Yankton

Four Winds Community High School
FORT TOTTEN PUBLIC SCHOOL
DISTRICT #30
P.O. BOX 239
FORT TOTTEN, NORTH DAKOTA 58335
Phone: (701)766-1476 FAX: (701)766-1475

ADMINISTRATION
Jeff Olson,
Superintendent
(701)766-1427
AJ Benz,
Principal
(701)766-1450
Megan Weisser,
Business Manager (701)766-1438

Corrective Action Plan – June 30, 2018

2018-001 Financial Statement Preparation

1. Correcting plan

The Business Manager will ensure that accounting principles generally acceptable in the United States of America are followed and financial statements are disclosed to the Fort Totten Public School Board quarterly. These reports will include a balance sheet, revenue, and expense statement for all departments and funds.

2018-002 Reconciliations and Account Review Analysis

1. Correcting plan

The Business Manager will review and monitor all department budgets and general ledgers to ensure that misclassifications are corrected in the general ledgers monthly. This reconciliation will be provided to program directors that monitor proper expenditures. Reconciliations will also be done monthly to ensure that all general ledger items are tracked and accounted for properly.

2018-003 Segregation of Duties

1. Correcting plan

Procedures to promote segregation of duties have and continue to be implemented. Funds are either counted by other individuals prior to being given to the Business Manager, who then does a second count of funds, or they are counted by the Business Manager and another party together who then are the second signature on the receipt and the activity sheet, if one is used. The Superintendent, Principal, and Athletic Director review bills and all questionable bills are reviewed and/or researched by the Superintendent. The Board of Education reviews all bills approves all checks written. The District will segregate other duties when feasible.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30
Fort Totten, North Dakota
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
Year Ended June 30, 2018

SUMMARY OF PRIOR YEAR FINDINGS
Year Ended June 30, 2018

2017-001

Criteria

An appropriate system of internal controls requires that the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The District's auditors prepared the financial statements as of June 30, 2017. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Current year status

See finding 2018-001 above

2017-002

Criteria

The general ledger should be complete and accurate with reconciliations and account review analysis being performed on a monthly basis to help detect and avoid potential misstatements.

Condition

It was noted that a detailed general ledger account review analysis and reconciliation was not performed on a regular basis throughout the year ended June 30, 2018. Several reconciliations were performed subsequent to year end.

Current year status

See finding 2018-002

2017-003

Criteria

Student activity funds should be used to account for funds earned by students and spent by students.

Condition

We noted that meal reimbursements for extra-curricular activities were being paid out of student activity funds. It was also noted that the general fund provided \$10,000 to the student body activity fund during the year ended June 30, 2017.

Current year status

No student funds were paid out of the general account during the current fiscal year.

FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30

Fort Totten, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued

Year Ended June 30, 2018

2017-004

Criteria

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

Condition

The District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Current year status

See finding 2018-003 above