TGU PUBLIC SCHOOL DISTRICT NO. 60
TOWNER, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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TGU PUBLIC SCHOOL DISTRICT NO. 60
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2017

Todd Thompson	President
Kevin Coss	Board Member
Terry Bailey	Board Member
Laura Holen-Lunde	Board Member
Billy Seright	Board Member

BRADY
MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
TGU Public School District No. 60
Towner, 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 TGU Public School District No. 60, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of TGU Public School District No. 60 as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, prior period adjustments were made to net position and fund balances to correct ending balances in the prior year ending June 30, 2016.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of District's contributions to the TFFR and NDPERS pension plans, and schedule of District's proportionate share of net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major governmental fund statements listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the financial statements.

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

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 1, 2018

The discussion and analysis of TGU Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of the District increased $80,908 as a result of the current year's operations.
- Governmental net position totaled $(1,377,238).
- Total revenues from all sources were $9,566,435.
- Total expenses were $9,485,527.
- The District's general fund had $5,959,837 in total revenues and $5,611,616 in expenditures. Overall, the general fund balance increased by $348,221 for the year ended June 30, 2017.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand TGU Public School District No. 60 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. For governmental funds, 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 the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2017?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred inflows of resources, deferred outflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in its net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Building Fund.

Governmental Funds

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

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2017.

As indicated in the financial highlights, the District's net position increased by $80,908. Long-term liabilities increased by $1,083,388 for the year ended June 30, 2017 primarily due to change in the net pension liability. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $(1,377,238) is segregated into three separate categories. Net position invested in Capital Assets (net of related debt) represents (157)% of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents (37)% of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents 294% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

Table 1

	2017	2016 As Restated
Assets		
Current Assets	$ 3,115,685	$ 2,469,569
Capital Assets (Net of Accumulated Depreciation)	2,705,227	2,945,825
Total Assets	5,820,912	5,415,394
Deferred Outflows of Resources		
Cost Sharing Defined Benefit Plan	2,073,090	1,234,607
Total Deferred Outflows of Resources	2,073,090	1,234,607
Liabilities		
Current Liabilities	595,072	370,109
Non-Current Liabilities	8,410,566	7,327,178
Total Liabilities	9,005,638	7,697,287
Deferred Inflows of Resources		
Cost Sharing Defined Benefit Plan	265,602	410,860
Total Deferred Inflows of Resources	265,602	410,860
Net Position		
Net Investment in Capital Assets	2,159,427	2,325,825
Restricted	515,577	364,937
Unrestricted	(4,052,242)	(4,148,908)
Total Net Position	$ (1,377,238)	$ (1,458,146)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2017.

Table 2

	2017	2016 As Restated
Revenues		
Program Revenues		
Charges for Services	$ 587,654	$ 109,810
Operating Grants and Contributions	3,233,635	2,616,463
Food Services	109,075	-
General Revenues		
Property Taxes	1,913,818	1,789,063
State Aid - Formula Grants	3,597,842	3,940,067
Proceeds from Insurance Recovery	109,293	-
Investment Earnings	14,368	11,122
Gain on Disposal of Capital Assets	750	-
Total Revenues	9,566,435	8,466,525
Expenses		
Business Support Services	466,879	250,993
Instructional Support Services	178,095	154,548
Administration	190,256	209,401
Operations and Maintenance	902,199	603,536
Transportation	486,914	450,224
Regular Instruction	6,665,293	6,057,600
Special Education	237,792	225,738
Extra-Curricular Activities	34,350	23,602
Food Services	309,596	272,353
Interest and Fees on Long-Term Debt	14,153	-
Total Expenses	9,485,527	8,247,995
Increase in Net Position	80,908	218,530
Net Position - Beginning	(1,458,146)	(1,676,676)
Net Position - Ending	$ (1,377,238)	$ (1,458,146)

Property taxes constituted 20%, state aid 38%, operating grants and contributions less than 1%, charges for services made up 6%, and interest income made up less than 1% of the total revenues of governmental activities of the District for fiscal year 2017.

Regular instruction comprised 70% of District expenses.

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

Table 3

	Total Cost for Year Ended 6/30/2017	Net Cost for Year Ended 6/30/2017	Total Cost for Year Ended 6/30/2016	Net Cost for Year Ended 6/30/2016
Business Support Services	$ 466,879	$ (466,879)	$ -	$ -
Instructional Support Services	178,095	(178,095)	1,843,111	(1,628,393)
Administration	190,256	(190,256)	-	-
Operations and Maintenance	902,199	(902,199)	-	-
Transportation	486,914	(135,003)	-	-
Regular Instruction	6,665,293	(3,481,299)	6,329,046	(3,817,491)
Special Education	237,792	(237,792)	-	-
Extra-Curricular Activities	34,350	(34,350)	123,815	(123,815)
Food Services	309,596	84,863	-	-
Interest and Fees on Long-Term Debt	14,153	(14,153)	-	-
Total Expenses	$ 9,485,527	$ (5,555,163)	$ 8,295,972	$ (5,569,699)

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Operations and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Extra-curricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest and fees on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of $5,959,837 and expenditures of $5,611,616 for the year ended June 30, 2017. As of June 30, 2017, the unassigned fund balance of the District's General Fund was $1,989,287.

Budget Highlights

During the course of the 2017 fiscal year, the District received $76,466 more revenues and incurred $359,741 less expenditures than budgeted in the General Fund. This is primarily the result of more state income received during the year as well as less capital expenditures incurred than anticipated during the budgeting process.

Capital Assets

As of June 30, 2017, the District had $2,705,227 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2017 (see Note 4 for details).

Table 4

	2017	2016
Buildings and Improvements	$ 1,991,830	$ 1,943,649
Equipment	37,099	195,458
Vehicles	676,298	806,718
Total	$ 2,705,227	$ 2,945,825

Debt Administration:

As of June 30, 2017, the District had $8,481,166 in outstanding debt. The District increased its debt by $1,223,388 from June 30, 2016 (See Note 5). See below for a description of the District's debt:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017
Limited Tax Bonds	$ 620,000	$ -	$ 70,000	$ 550,000
Discount on Bonds Payable	(4,800)	-	(600)	(4,200)
Net Pension Liability	6,711,978	2,400,457	1,177,069	7,935,366
Total	$ 7,327,178	$ 2,400,457	$ 1,246,469	$ 8,481,166

For the Future:

The TGU Public School District has benefited from an adequate property tax base. The School District has also benefited from continued funding from the State of North Dakota. These elements have enabled the District to meet many of its staffing and building maintenance needs.

The TGU Public School District, not unlike many rural Districts in North Dakota, is experiencing declining enrollment. With consolidation and other cost efficiencies, the District has maintained a financially stable condition.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Lorie Werle, Business Manager, TGU Public School District, 302 2nd St. SE, Towner, ND 58741, or email at lorie.werle@k12.nd.us.

TGU PUBLIC SCHOOL DISTRICT NO. 60
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	2,740,708
Grants Receivable		198,131
Taxes Receivable		176,846
Total Current Assets		3,115,685
Non-Current Assets:		
Capital Assets		
Buildings and Improvements		5,022,571
Equipment		106,768
Vehicles		1,690,553
Less Accumulated Depreciation		(4,114,665)
Total Non-Current Assets		2,705,227
TOTAL ASSETS		5,820,912
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		1,385,896
Cost Sharing Defined Benefit Pension Plan - NDPERS		687,194
TOTAL DEFERRED OUTFLOWS OF RESOURCES		2,073,090
LIABILITIES		
Current Liabilities:		
Accounts Payable		27,143
Accrued Payroll		476,911
Bonds Payable Within a Year		70,600
Unearned Revenue		14,814
Accrued Interest		5,604
Total Current Liabilities		595,072
Long-Term Liabilities:		
Bonds Payable (Net of Current Portion)		475,200
Net Pension Liability		7,935,366
Total Non-Current Liabilities		8,410,566
TOTAL LIABILITIES		9,005,638
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		157,245
Cost Sharing Defined Benefit Pension Plan - NDPERS		108,357
TOTAL DEFERRED INFLOWS OF RESOURCES		265,602
NET POSITION		
Net Investment in Capital Assets		2,159,427
Restricted for:		
Debt Service		93,467
Building		422,110
Unrestricted		(4,052,242)
TOTAL NET POSITION	$	(1,377,238)

See Notes to the Basic Financial Statements

TGU PUBLIC SCHOOL DISTRICT NO. 60
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	$ 466,879	$ -	$ -	$ (466,879)
Instructional Support Services	178,095	-	-	(178,095)
Administration	190,256	-	-	(190,256)
Operations and Maintenance	902,199	-	-	(902,199)
Transportation	486,914	-	351,911	(135,003)
Regular Instruction	6,665,293	587,654	2,596,340	(3,481,299)
Special Education	237,792	-	-	(237,792)
Extra-Curricular Activities	34,350	-	-	(34,350)
Food Services	309,596	109,075	285,384	84,863
Interest and Fees on Long-Term Debt	14,153	-	-	(14,153)
TOTAL GOVERNMENTAL ACTIVITIES	$ 9,485,527	$ 696,729	$ 3,233,635	(5,555,163)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				1,552,399
Property Taxes, Levied for Capital Projects				271,838
Property Taxes, Levied for Debt Service				89,581
Aids and Payments from the State				3,597,842
Gain on Disposal of Capital Assets				750
Proceeds from Insurance Recovery				109,293
Unrestricted Investment Earnings				14,368
TOTAL GENERAL REVENUES				5,636,071
Change in Net Position				80,908
Net Position - Beginning				(1,518,063)
Prior Period Adjustment - See Note 12				59,917
Net Position - Beginning as Restated				(1,458,146)
Net Position - Ending				$ (1,377,238)

See Notes to the Basic Financial Statements

TGU PUBLIC SCHOOL DISTRICT NO. 60
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	General Fund	Building Fund	Headstart Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 2,184,746	$ 421,188	$ 27,679	$ 107,095	$ 2,740,708
Grants Receivable	198,131	-	-	-	198,131
Taxes Receivable	143,579	24,775	-	8,492	176,846
TOTAL ASSETS	$ 2,526,456	$ 445,963	$ 27,679	$ 115,587	$ 3,115,685
LIABILITIES					
Accounts Payable	$ 12,037	$ 9,850	$ 5,256	$ -	$ 27,143
Accrued Payroll	469,302	-	7,609	-	476,911
Unearned Revenue	-	-	14,814	-	14,814
TOTAL LIABILITIES	481,339	9,850	27,679	-	518,868
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Uncollected Taxes	55,830	14,003	-	4,881	74,714
TOTAL DEFERRED INFLOWS OF RESOURCES	55,830	14,003	-	4,881	74,714
FUND BALANCES					
Restricted	-	422,110	-	99,071	521,181
Assigned	-	-	-	11,635	11,635
Unassigned	1,989,287	-	-	-	1,989,287
TOTAL FUND BALANCES	1,989,287	422,110	-	110,706	2,522,103
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,526,456	$ 445,963	$ 27,679	$ 115,587	$ 3,115,685

See Notes to the Basic Financial Statements

TGU PUBLIC SCHOOL DISTRICT NO. 60

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

AS OF JUNE 30, 2017

Total fund balances - governmental funds		$ 2,522,103
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in government funds:		
Cost of capital assets	6,819,892	
Less: accumulated depreciation	(4,114,665)	
Net		2,705,227
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		1,807,488
Bond discounts that are amortized over the life of the debt issue.		4,200
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		74,714
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Bonds Payable		(550,000)
Net Pension Liability		(7,935,366)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(5,604)
Net Position - Governmental Activities		$ (1,377,238)

See Notes to the Basic Financial Statements

TGU PUBLIC SCHOOL DISTRICT NO. 60

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Headstart Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 1,568,989	$ 267,854	$ -	$ 89,268	$ 1,926,111
Other Local and County Revenues	40,344	-	547,310	109,075	696,729
Revenue from State Sources	3,937,583	12,170	-	1,205	3,950,958
Revenue from Federal Sources	288,135	-	2,308,205	284,179	2,880,519
Interest	13,943	262	-	160	14,365
TOTAL REVENUES	5,848,994	280,286	2,855,515	483,887	9,468,682
EXPENDITURES					
Current:					
Business Support Services	237,598	-	229,278	-	466,876
Instructional Support Services	178,095	-	-	-	178,095
Administration	190,256	-	-	-	190,256
Operations and Maintenance	504,789	500	36,740	162,014	704,043
Transportation	357,293	-	-	-	357,293
Regular Instruction	3,778,447	-	2,561,783	-	6,340,230
Special Education	237,792	-	-	-	237,792
Extra-Curricular Activities	34,350	-	-	-	34,350
Food Services	60,000	-	27,714	221,882	309,596
Capital Outlay	32,996	140,399	-	-	173,395
Debt Service:					
Principal Retirement	-	-	-	70,000	70,000
Interest and Fiscal Charges on Long-Term Debt	-	-	-	14,062	14,062
TOTAL EXPENDITURES	5,611,616	140,899	2,855,515	467,958	9,075,988
Excess (Deficiency) of Revenues over Expenditures	237,378	139,387	-	15,929	392,694
OTHER FINANCING SOURCES					
Sale of Capital Assets	1,550	-	-	-	1,550
Proceeds from Insurance Recovery	109,293	-	-	-	109,293
TOTAL OTHER FINANCING SOURCES (USES)	110,843	-	-	-	110,843
Net Change in Fund Balances	348,221	139,387	-	15,929	503,537
Fund Balance - Beginning of Year	1,525,852	274,222	-	90,715	1,890,789
Prior Period Adjustment - See Note 12	115,214	8,501	-	4,062	127,777
Fund Balances - Beginning as Restated	1,641,066	282,723	-	94,777	2,018,566
Fund Balance - End of Year	$ 1,989,287	$ 422,110	$ -	$ 110,706	$ 2,522,103

See Notes to the Basic Financial Statements

TGU PUBLIC SCHOOL DISTRICT NO. 60

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - Governmental Funds		$ 503,537
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.		
Capital Outlays	$ -	
Depreciation Expense	(239,798)	
Excess of capital outlay over depreciation expense		(239,798)
Net book value of disposal		(800)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:		
Net change in unavailable property taxes		(12,293)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		70,000
Discount on bonds payable are a long-term liability in the statement of net position.		(600)
Changes in deferred outflows and inflows of resources related to net pension liability		983,741
Change in net pension liability		(1,223,388)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased by $509.		509
Change in net position - Governmental Activities		$ 80,908

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The TGU Public School District operates the public schools in the City of Towner, North Dakota. There are two elementary schools and two junior/senior high schools.

Potential component units of the TGU Public School District are evaluated on various criteria, the main one being the degree of accountability the primary government has over the potential component unit. The most significant factor in the accountability assessment is the potential component unit's financial accountability to the primary government, measured through the degree to which the primary government can appoint a voting majority of the governing body, impose its will, ascertain a potential financial benefit, or face a financial burden with regard to the potential component unit.

Based on these criteria, there are no component units to be included within the District's reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-Wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District. The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets, deferred inflows of resources, deferred outflows of resources, and liabilities. The District's major governmental funds are as follows:

General Fund:
This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

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. The special assessment fund is included in this category.

Head Start Fund
This fund is established to record financial transactions related to this early childhood federal program.

The District's non-major governmental funds are as follows:

Debt Service Funds:
The Debt Service fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs. The sinking and interest fund #8 is included in this category.

Hot Lunch Fund
This food service fund is used to account for the accumulation of revenue and proceeds and for the payments of expenditures related to providing meals at the District.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Revenues - Exchange and Non-Exchange Transactions:

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Unearned Revenues:

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting 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.

The General fund expenditures were $359,741 under budget at June 30, 2017.

Cash and Cash Equivalents:

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

Investments:

Investments are recorded at market value. North Dakota State Statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

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

Buildings and Improvements	50 Years
Equipment	5 to 20 Years
Vehicles	8 Years

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District's government-wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Pensions:

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

Fund Balance Classifications:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS and TFFR pension plans, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position *as cost sharing defined benefit pension plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans and is reported on the statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds.

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

Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and are either unusual in nature or infrequent in occurrence.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes:

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

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half-of-the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

Significant Group Concentrations of Credit Risk:

As of June 30, 2017, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2017, the carrying amount of the District's deposits was $2,740,708 and the bank balance was $2,268,216. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk

The District may also invest idle funds as authorized by North Dakota laws, as follows:

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

b. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

d. Obligations of the state.

Interest Rate Risk

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in general fixed assets account group during the year:

	Balance 7/1/2016	Additions	Disposals	Transfers	Balance 6/30/2017
Governmental Activities:					
Capital Assets Being Depreciated					
Buildings and Improvements	$ 5,022,571	$ -	$ -	$ -	$ 5,022,571
Equipment	106,768	-	-	-	106,768
Vehicles	1,725,553	-	35,000	-	1,690,553
Total	6,854,892	-	35,000	-	6,819,892
Less Accumulated Depreciation					
Buildings and Improvements	2,930,361	100,380	-	-	3,030,741
Equipment	59,872	9,797	-	-	69,669
Vehicles	918,834	129,621	34,200	-	1,014,255
Total	3,909,067	239,798	34,200	-	4,114,665
Net Capital Assets Being Depreciated	2,945,825	(239,798)	800	-	2,705,227
Net Capital Assets for Governmental Activities	$ 2,945,825	$ (239,798)	$ 800	$ -	$ 2,705,227

In the governmental activities section of the statement of activities, depreciation expense was charged to the following governmental functions:

Regular Instruction	$ 85,416
Operations and Maintenance	24,761
Transportation	129,621
Total	$ 239,798

NOTE 5 LONG-TERM DEBT

The School District issued bonds to provide funding for the construction of additions and improvements to existing facilities. Long-term debt is as follows:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Due in One Year
Limited Tax Bonds	$ 620,000	$ -	$ 70,000	$ 550,000	$ 70,000
Discount on Bonds Payable	(4,800)	-	(600)	(4,200)	600
Net Pension Liability	6,711,978	2,400,457	1,177,069	7,935,366	-
Total	$ 7,327,178	$ 2,400,457	$ 1,246,469	$ 8,481,166	$ 70,600

The District issued $900,000 Limited Tax Bonds with Wells Fargo Bank for an energy management project. The contract is dated June 1, 2011 and calls for 12 annual principal payments of $70,000 to $85,000 from August 1, 2012 through August 1, 2023 and interest payments semiannually at 1% to 3%.

Interest and fiscal charges on long-term debt was $14,153 for the year ended June 30, 2017. Annual debt service requirements to maturity for the long-term debt are as follows:

Limited Tax Bonds

Year	Principal	Interest	Total
2018	$ 75,000	$ 12,794	$ 87,794
2019	75,000	11,481	86,481
2020	75,000	9,888	84,888
2021	80,000	7,950	87,950
2022	80,000	5,950	85,950
2023 - 2027	165,000	5,022	170,022
Total	$ 550,000	$ 53,085	$ 603,085

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

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

	General Fund	Building Fund	Debt Service Fund	Hot Lunch Fund	Total
Restricted for:					
Debt Service	$ -	$ -	$ 99,071	$ -	$ 99,071
Building	-	422,110	-	-	422,110
Assigned for:					
Food Service	-	-	-	11,635	11,635
Unassigned	1,989,287	-	-	-	1,989,287
	$ 1,989,287	$ 422,110	$ 99,071	$ 11,635	$ 2,522,103

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund.

Restricted for Debt Service:
This account represents funds held by the School District available to service long-term debt.

Restricted for Building:
This account represents funds held by the School District available to provide future capital outlay.

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

Pension Costs

At June 30, 2017, the District reported a liability of $6,096,915 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2016, the Employer's proportion was 0.416155 percent which was a decrease of 0.006152 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of $544,726. At June 30, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 28,795	$ 28,867
Changes in actuarial assumptions	509,269	-
Difference between projected and actual investment earnings	506,819	-
Changes in proportion	-	128,378
Contributions paid to TFFR subsequent to the measurement date	341,013	-
Total	$ 1,385,896	$ 157,245

$341,013 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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 ending June 30:	Pension Expense Amount
2018	$ 164,456
2019	164,456
2020	288,299
2021	210,760
2022	74,734
Thereafter	(15,067)

Actuarial Assumptions

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

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

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

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

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

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

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Pension Liability Sensitivity

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
District's proportionate share of the TFFR net pension liability:	$ 7,908,157	$ 6,096,915	$ 4,588,322

Pension Plan Fiduciary Net Position

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

<u>North Dakota Public Employees' Retirement System</u>

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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 covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 25 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

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

At June 30, 2017, the District reported a liability of $1,838,451 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the District's proportion was 0.188637 percent which was an increase of 0.013807 from its proportion measured June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $544,726. At June 30, 2017, 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 economic experience	$ 27,617	$ 17,023
Changes in actuarial assumptions	169,482	91,334
Difference between projected and actual investment earnings	256,490	-
Changes in proportion	98,235	-
Contributions paid to NDPERS subsequent to the measurement date	135,370	-
Total	$ 687,194	$ 108,357

$135,370 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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 ending June 30:	Pension Expense Amount
2018	$ 82,800
2019	82,800
2020	138,752
2021	96,307
2022	42,808

Actuarial Assumptions

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

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (**Error! Not a valid link.** percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	7.00%	8.00%	9.00%
District's proportionate share of the NDPERS net pension liability:	$ 2,607,808	$ 1,838,451	$ 1,190,229

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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. 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.

NOTE 9 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2017 was $90,069.

NOTE 11 NEW PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

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

Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

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

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

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

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

Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

NOTE 12 PRIOR PERIOD ADJUSTMENT

Prior period adjustments were made to net position and fund balances to correct ending balances in the prior year related to the following accounts. This can be illustrated in the following table.

Restatement for net position:		
Accounts Payable	$	52,671
Unavailable Property Taxes		(2,839)
Discount on Bonds Payable		4,800
Property Taxes Receivable		14,589
Accrued Interest		(6,113)
Accrued Salaries & Benefits		(3,191)
	$	59,917

	General		Building		Non Major	
Restatement for fund balance:						
Accounts Payable	$	52,671	$	-	$	-
Unavailable Property Taxes		55,925		7,172		611
Property Taxes Receivable		9,809		1,329		3,451
Accrued Salaries & Benefits		(3,191)		-		-
	$	115,214	$	8,501	$	4,062

NOTE 13 COMMITMENTS

Lease Commitments

The District had two vehicle leases as of June 30, 2017. The lease term ends on June 25, 2020. (60 months in total) The District will not be able to purchase these vehicles at the end of the term and will be reported as operating leases.

Lease terms are 5.95% and payments are due every three months, commenced 9/25/15. The payment (includes both vehicles) is $3,125.43 due on the 25th of every 3rd month.

TGU PUBLIC SCHOOL DISTRICT NO. 60
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
AS OF JUNE 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	$ 1,550,023	$ 1,550,023	$ 1,568,989	$ 18,966
Other Local and County Revenues	32,700	32,700	40,344	7,644
Revenue from State Sources	3,888,750	3,888,750	3,937,583	48,833
Revenue from Federal Sources	290,805	290,805	288,135	(2,670)
Interest	10,250	10,250	13,943	3,693
TOTAL REVENUES	5,772,528	5,772,528	5,848,994	76,466
EXPENDITURES				
Current:				
Business Support Services	248,410	248,410	237,598	(10,812)
Instructional Support Services	188,886	188,886	178,095	(10,791)
Administration	241,053	241,053	190,256	(50,797)
Operations and Maintenance	480,153	480,153	504,789	24,636
Transportation	486,679	486,679	357,293	(129,386)
Regular Instruction	3,943,751	3,943,751	3,778,447	(165,304)
Special Education	220,200	220,200	237,792	17,592
Extra-Curricular Activities	36,573	36,573	34,350	(2,223)
Food Services	60,000	60,000	60,000	-
Capital Outlay	65,652	65,652	32,996	(32,656)
TOTAL EXPENDITURES	5,971,357	5,971,357	5,611,616	(359,741)
Excess (Deficiency) of Revenues over Expenditures	(198,829)	(198,829)	237,378	436,207
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Asset	-	-	1,550	1,550
Proceeds from Insurance Recovery	-	-	109,293	109,293
TOTAL OTHER FINANCING SOURCES (USES)	-	-	110,843	110,843
Net Change in Fund Balances	(198,829)	(198,829)	348,221	547,050
Fund Balance - Beginning of Year	1,525,852	1,525,852	1,525,852	-
Prior Period Adjustment - See Note 12	-	-	115,214	115,214
Fund Balance Beginning as Restated	-	-	1,641,066	1,641,066
Fund Balance - End of Year	$ 1,327,023	$ 1,327,023	$ 1,989,287	$ 662,264

See Notes to the Required Supplementary Information

TGU PUBLIC SCHOOL DISTRICT NO. 60
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 341,013	$ 341,013	$ -	$ 2,674,611	12.75%
2016	344,743	344,743	-	2,703,863	12.75%
2015	331,182	331,182	-	2,597,628	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 135,370	$ 135,370	$ -	$ 1,901,263	7.12%
2016	135,353	135,353	-	1,901,020	7.12%
2015	110,896	110,896	-	1,557,522	7.12%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

TGU PUBLIC SCHOOL DISTRICT NO. 60
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.416155%	$ 6,096,915	$ 2,703,863	225.49%	59.20%
2016	0.422307%	5,523,164	2,597,628	212.62%	62.10%
2015	0.430381%	4,509,630	2,496,437	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.188637%	$ 1,838,451	$ 1,901,020	96.71%	70.46%
2016	0.174830%	1,188,814	1,557,522	76.33%	77.15%
2015	0.173707%	1,102,555	1,463,268	75.35%	77.70%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures were less than budgeted expenditures by $359,741.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget before October tenth of 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.

NOTE 2 – CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.

- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NDPERS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

TGU PUBLIC SCHOOL DISTRICT NO. 60
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	Debt Service Fund	Hot Lunch Fund	Other Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 95,460	$ 11,635	$ 107,095
Taxes Receivable	8,492	-	8,492
TOTAL ASSETS	$ 103,952	$ 11,635	$ 115,587
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Uncollected Taxes	$ 4,881	$ -	$ 4,881
TOTAL DEFERRED INFLOWS OF RESOURCES	4,881	-	4,881
FUND BALANCES			
Restricted	99,071	-	99,071
Assigned	-	11,635	11,635
TOTAL FUND BALANCES	99,071	11,635	110,706
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 103,952	$ 11,635	$ 115,587

TGU PUBLIC SCHOOL DISTRICT NO. 60
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Debt Service Fund	Food Service Fund	Other Non-Major Governmental Funds
REVENUES			
Local Property Tax Levies	$ 89,268	$ -	$ 89,268
Other Local and County Revenues	-	109,075	109,075
Revenue from State Sources	-	1,205	1,205
Revenue from Federal Sources	-	284,179	284,179
Interest	115	45	160
TOTAL REVENUES	89,383	394,504	483,887
EXPENDITURES			
Current:			
Operations and Maintenance	-	162,014	162,014
Food Services	-	221,882	221,882
Debt Service:			
Principal Retirement	70,000	-	70,000
Interest and Fiscal Charges on Long-Term Debt	14,062	-	14,062
TOTAL EXPENDITURES	84,062	383,896	467,958
Excess (Deficiency) of Revenues over Expenditures	5,321	10,608	15,929
Net Change in Fund Balances	5,321	10,608	15,929
Fund Balance - Beginning of Year	89,688	1,027	90,715
Prior Period Adjustment - See Note 12	4,062	-	4,062
Fund Balances - Beginning as Restated	93,750	1,027	94,777
Fund Balance - End of Year	$ 99,071	$ 11,635	$ 110,706

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
TGU Public School District No. 60
Towner, 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 the District as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise TGU Public School District No. 60's basic financial statements and have issued our report thereon dated March 1, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered TGU Public School District No. 60'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TGU Public School District No. 60'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*.

The District's Responses to the Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose Of This Report

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 1, 2018

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Education
TGU Public School District No. 60
Towner, North Dakota

Report on Compliance for Each Major Federal Program

We have audited TGU Public School District No. 60'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 TGU Public School District No. 60's major federal programs for the year ended June 30, 2017. The TGU Public School District'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of TGU Public School District No. 60'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 non-compliance 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 the District'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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of TGU Public School District No. 60's compliance.

Basis for Qualified Opinion on Head Start Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA 93.600 Head Start as described in finding numbers 2017-003 for Earmarking, 2017-004 for Special Tests and Provisions, and 2017-005 for Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the program.

Qualified Opinion on Head Start Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, TGU Public School District No. 60 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.600 Head Start for the year ended June 30, 2017.

TGU Public School District #60's response to response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings. TGU Public School District #60's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of TGU Public School District No. 60 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 TGU Public School District No. 60'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 TGU Public School District No 60's internal control over compliance.

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

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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, and 2017-005, that we consider to be material weaknesses.

TGU Public School District No 60's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. TGU Public School District No 60's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

March 1, 2018

TGU PUBLIC SCHOOL DISTRICT NO. 60
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

CFDA #	Description	Pass-Through Entity Identifying Number	Expenditures
Department of Health and Human Services			
93.600	Head Start		$ 2,308,205
Total Department of Health and Human Services			2,308,205
Department of Education			
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	170,216
84.367	Title II Part A - Teacher and Principal Quality	F84367	61,099
Total Passed through ND DPI			231,315
Passed Through North Central Education Cooperative			
84.287A	21st Century Community Learning Centers	F84287	48,696
Passed Through Velva Public School District			
84.048	Carl Perkins		8,124
Total Department of Education			288,135
Department of Agriculture			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Child Nutrition - School Lunch	F10555	74,359
10.553	Child Nutrition - School Breakfast	F10553	18,933
10.555	Food Distribution-Non Cash	F10555	17,069
	Total Cluster		110,361
10.558	Child and Adult Care Food Program	F10558	162,015
10.582	Fruit and Vegetable Grant	F10568	11,803
Total Department of Agriculture			284,179
	TOTAL		$ 2,880,519

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of TGU Public School District #60 and is presented on the accrual basis. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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 requirement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 PASS-THROUGH ENTITIES

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_X_ Yes ___ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes _X_ None Reported
Non-compliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	_X_ Yes ___ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes _X_ None Reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_X_ Yes ___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program of Cluster
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	___ Yes _X_ No

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-001 Finding

Criteria
An appropriate system of internal controls requires that a 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 American (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.

Views of Responsible Officials
See corrective action plan.

2017-002 Finding

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

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

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

Recommendation
The District should separate the duties when it becomes feasible.

Views of Responsible Officials
See corrective action plan below.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-003 Finding

Federal Program
Head Start Program CFDA 93.600 – Earmarking

Criteria
The costs of developing and administering a Head Start program shall not exceed 15 percent of the annual total program costs, including the required non-Federal contribution to such costs, unless a written wavier has been granted by the Office of Head Start.

Condition
The Head Start program is not monitoring administrative expenditures to ensure compliance with earmarking requirements. The Head Start program is not able to identify administrative expenditures as the program does not segregate administrative expenditures from other expenditures. The program has not requested or obtained a waiver from the Office of Head Start.

Questioned Costs
Undeterminable.

Context
Per discussion with program management and review of earmarking compliance procedures.

Effect
Non-compliance with administrative earmarking requirements.

Cause
The program does not currently segregate administrative expenditures from other program expenditures in order to properly track administrative earmarking requirements.

Repeat Finding
No

Recommendation
Recommend the program to segregate administrative expenditures into accounts separate from other program expenditures and to compare these expenditures to total program expenditures on a regular basis to ensure compliance is met and maintained.

Views of Responsible Officials

The Fiscal Officer will monitor and report actual administrative costs and will submit to the auditing agency for recommendations. See Corrective Action Plan below.

2017-004 Finding

Federal Program
Head Start CFDA 93.600 – Special Tests and Provisions

Criteria
The Head Start's governing body must include not less than one member with a background and expertise in fiscal management or accounting and not less than one licensed attorney familiar with issues that come before the governing body.

Condition
The program's governing body does not include a licensed attorney.

Questioned Cost
Undeterminable.

Context
Per discussion with program management.

Effect
Non-compliance with program governance special tests and provisions.

Cause
The program's governing body does not include a licensed attorney.

Repeat Finding
No

Recommendation
Recommend the program reach out to the local community to gain one member on the governing body who is a licensed attorney.

Views of Responsible Officials

See Corrective Action Plan below.

2017-005 Finding

Federal Program
Head Start CFDA 93.600 - Reporting

Criteria
The Head Start program is required to file Federal Financial Status Reports showing the amount of federal expenditures incurred.

Condition
The federal expenditures listed on the program's Federal Financial Status reports do not agree to the expenditures reported in the general ledger detail in the financial system.

Questioned Cost
Undeterminable.

Context
We reviewed all of the Federal Financial Status reports filed for period under audit.

Effect
Non-compliance with reporting compliance requirements.

Cause
The program's Federal Financial Status Reports are not prepared using the general ledger in the financial system.

Repeat Finding
No

Recommendation
Recommend the program file the Federal Financial Status Reports using the federal expenditures listed in the general ledger in their financial system.

Views of Responsible Officials

The Fiscal Officer will consult with the auditing agency to ensure the program is meeting the requirements. See Corrective Action Plan below.

TGU School District #60

Erik Sveet, Superintendent

TGU School District #60	TGU Towner School	TGU Granville School
PO Box 270	PO Box 270	201 6th St. SW
Towner, ND 58788	Towner, ND 58788	Granville, ND 58741
701-537-5414	701-537-5414	701-728-6641

CORRECTIVE ACTION PLAN AS OF JUNE 30, 2017

2017-001

Official Responsible for Insuring CAP

The Business Manager will be responsible for preparing the financial statements for the TGU Public School Board quarterly or when the School Board request reports. The Student Activity Report will be presented to the School Board each month.

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 TGU Public School Board quarterly. These reports will include a balance sheet, revenue and expense statement for all departments and funds.

Planned Completion Date for CAP

Immediately

2017-002

Official Responsible for Insuring CAP

The Business Manager will be responsible to ensure that the appropriate measures are taken.

Correcting Plan

The District will segregate other duties when feasible.

The Planned Completion Date of CAP

Immediately

2017-003

Official Responsible for Insuring CAP

The Finance Director will be responsible.

Correcting Plan

Early Explorers completes a proposed administrative cost budget with cost allocations regarding facilities, supplies, personnel, etc. as part of the annual grant application. The program did not have a system that showed actual administrative costs vs proposed. The Fiscal Officer has created a spreadsheet that will monitor and report the actual administrative costs and will submit to the auditing agency for recommendations.

The Planned Completion Date of CAP

Immediately

2017-004

Official Responsible for Insuring CAP
The Finance Director will be responsible.

Correcting Plan

The Head Start program is in disagreement with this finding and has contacted the Program Specialist for further clarification.

In accordance with the Head Start Act Sec. 642. POWERS AND FUNCTIONS OF HEAD START AGENCIES. [42 U.S.C. 9837]

(c) Program Governance- Upon receiving designation as a Head Start agency, the agency shall establish and maintain a formal structure for program governance, for the oversight of quality services for Head Start children and families and for making decisions related to program design and implementation. Such structure shall include the following:

(1) GOVERNING BODY(A) IN GENERAL- The governing body shall have legal and fiscal responsibility for the Head Start agency.
(B) COMPOSITION- The governing body shall be composed as follows:
(i) Not less than 1 member shall have a background and expertise in fiscal management or accounting
(ii) Not less than 1 member shall have a background and expertise in early childhood education and development.

(iii) Not less than 1 member shall be a licensed attorney familiar with issues that come before the governing body.
(iv) Additional members shall--
(I) reflect the community to be served and include parents of children who are currently, or were formerly, enrolled in Head Start programs; and (II) are selected for their expertise in education, business administration, or community affairs.
(v) Exceptions shall be made to the requirements of clauses (i) through (iv) for members of a governing body when those members oversee a public entity and are selected to their positions with the public entity by public election or political Appointment.

(vi) If a person described in clause (i), (ii), or (iii) is not available to serve as a member of the governing body, the governing body shall use a consultant, or an other individual with relevant expertise, with the qualifications described in that clause, who shall work directly with the governing body.

The TGU grantee board is composed of elected officials which negates the regulations covering the composition of the board. The board has access to legal consultation from the North Dakota School Board Association. The program has been in contact with Grand Forks Head Start, Minot Head Start and BECEP Head Start, all school district Head Start programs. All reported not having an attorney in official capacity. Bismarck BECEP does have an attorney on its school board but in the role of a elected school board member, not public council.

The program has requested an official policy clarification from the Program Specialist from the Regional Office of the Office of Head Start.

The Planned Completion Date of CAP
Immediately

2017-005

Official Responsible for Insuring CAP
The Finance Director will be responsible.

Correcting Plan

The current Fiscal Officer has been employed with the agency for three years and has ran the report as guided by the previous Fiscal Officer. The report is ran through the SUI Software System. The program contacted the fiscal specialist at the Regional Office asking if the report was being completed correctly. The agency reported the dollar amount was “in a reasonable range”. No reports have been returned or noted in past audits. The auditing agency worked with the Fiscal Officer while onsite and provided technical assistance to the Fiscal Officer. The Fiscal Officer will consult with the auditing agency to ensure the program is meeting the requirements.

The Planned Completion Date of CAP
Immediately