

**CARRINGTON PUBLIC SCHOOL  
DISTRICT NO. 49  
Carrington, North Dakota**

***REPORT ON FINANCIAL STATEMENTS  
(with supplementary information)  
Year Ended June 30, 2016***

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
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**Year Ended June 30, 2016**

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# Schauer & Associates, P.C.

Certified Public Accountants

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

## INDEPENDENT AUDITORS' REPORT

School Board  
**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
Carrington, 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 **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, Carrington, North Dakota as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **INDEPENDENT AUDITORS' REPORT – continued**

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, Carrington, North Dakota, as of June 30, 2016 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 39 through 42 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 **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49's** basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

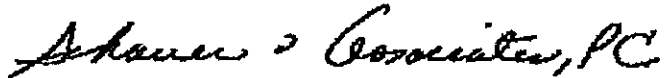
The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2017, on our consideration of the **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** internal

## INDEPENDENT AUDITORS' REPORT -- continued

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 CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S internal control over financial reporting and compliance



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
February 11, 2017

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2016**

The Management's Discussion and Analysis (MD&A) section of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** (known as the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2015-2016 are as follows:

- Net position of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** increased \$307,136 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$1,097,774.
- Total revenues from all sources were \$7,128,536.
- Total expenditures were \$6,821,400.
- The District's general fund had \$6,486,274 in total revenues and \$6,353,279 in total expenditures. Overall, the general fund balance increased by \$112,150 for the year ended June 30, 2016.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**REPORTING ON THE DISTRICT AS A WHOLE**

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

These statements are summaries of all funds used by the **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2016?"

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

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presenting amounts using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**MANAGEMENT DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, earned but unused sick leave and vacation leave).

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

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

### **REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS**

#### **BALANCE SHEET – GOVERNMENTAL FUNDS**

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

The District's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds" which in this case is the school lunch fund, the debt service fund and the capital projects fund.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table I provides a summary of the District's net position as of June 30, 2016 and 2015.

As indicated in the financial highlights above, the District's net position increased by \$307,136 for the year ended June 30, 2016 and increased by \$363,095 for the year ended June 30, 2015. Changes in net position may serve over time as a useful indicator of the District's financial condition.

The District's net position of \$1,097,774 is segregated into three separate categories. Net investment in capital assets is 378% of total net position. Restricted net position represents .3% of the District's total net position. It should be noted that these assets are not available for future spending.

Table I  
**NET POSITION**  
June 30,

ASSETS	2016	2015
Current assets	\$ 2,467,610	\$ 2,277,789
Capital assets (net of depreciation)	5,476,705	5,489,673
Deferred outflows of resources	1,242,953	444,978
Total Assets and Deferred Outflows of Resources	9,187,268	8,212,440

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**MANAGEMENT DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

	2016	2015
<b>LIABILITIES</b>		
Current liabilities	212,066	248,523
Long-term liabilities	7,711,105	6,566,232
Total Liabilities	7,923,171	6,814,755
Deferred Inflows of Resources	166,323	607,047
<b>NET POSITION</b>		
Net investment in capital assets	4,155,644	4,060,430
Restricted	305,125	21,527
Unrestricted	(3,362,995)	(3,291,319)
Total Net Position	1,097,774	790,638
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 9,187,268	\$ 8,212,440

Table II shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

Table II  
**CHANGES IN NET POSITION**  
Years ended June 30,

	2016		2015	
<b>REVENUES</b>				
Program revenues				
Charges for services	\$ 249,495	3.50%	\$ 293,434	4.16%
Operating grants and contributions	576,798	8.10	683,332	9.70
General revenues				
Property taxes	2,260,912	31.71	2,014,435	28.59
State aid – unrestricted	3,976,608	55.78	4,026,711	57.14
Other	64,723	.91	28,612	.41
Total Revenues	7,128,536	100.00%	7,046,524	100.00%
<b>EXPENSES</b>				
Regular instruction	3,489,757	51.16%	3,329,350	49.81%
Federal programs	292,254	4.28	226,409	3.39
Special education	619,179	9.08	652,134	9.76
Vocational education	282,801	4.14	360,221	5.39
Instructional support services	195,074	2.86	189,632	2.84
Administrative services	366,256	5.37	333,132	4.98
Operation and maintenance of plant	565,296	8.29	622,865	9.32
Student transportation	395,572	5.80	406,621	6.08
Extracurricular activities	274,239	4.02	243,880	3.65
Food service	307,446	4.51	284,022	4.25

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**MANAGEMENT DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

	2016		2015	
Interest on long-term debt	33,526	.49	35,163	.53
Total Expenses	6,821,400	100.00%	6,683,429	100.00%
Change in Net position	307,136		363,095	
Prior Period Adjustment			(5,345,776)	
Beginning Net Position	790,638		5,773,319	
Ending Net Position	\$ 1,097,774		\$ 790,638	

Property taxes constituted 32%, unrestricted state aid 56%, operating grants and contributions 8% and charges for services 4% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2016. Property taxes constituted 29%, unrestricted state aid 57%, operating grants and contributions 10% and charges for services 4% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2015.

Regular instruction constituted 51%, vocational education 4%, and special education 9% of total expenditures for governmental activities for fiscal year ended June 30, 2016. Regular instruction constituted 50%, vocational education 5% and special education 10% of total expenditures for governmental activities for fiscal year ended June 30, 2015.

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

Table III  
TOTAL AND NET COST OF SERVICES

	Total Cost For Year Ended June 30, 2016	Net Cost For Year Ended June 30, 2016	Total Cost For Year Ended June 30, 2015	Net Cost For Year Ended June 30, 2015
Regular instruction	\$ 3,489,757	\$ 3,462,767	\$ 3,329,350	\$ 3,288,727
Federal programs	292,254	125,776	226,409	26,581
Special education	619,179	619,179	652,134	652,134
Vocational education	282,801	121,998	360,221	106,262
Instructional support services	195,074	195,074	189,632	189,632
Administrative services	366,256	366,256	333,132	333,132
Operation and maintenance of plant	565,296	565,296	622,865	574,065
Student transportation	395,572	229,934	406,621	255,581
Extracurricular activities	274,239	265,364	243,880	234,160
Food service	307,446	9,937	284,022	11,226
Interest on long-term debt	33,526	33,526	35,163	35,163
	<u>\$ 6,821,400</u>	<u>\$ 5,995,107</u>	<u>\$ 6,683,429</u>	<u>\$ 5,706,663</u>

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**MANAGEMENT DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's resources available for spending as of the end of the fiscal year. Those funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$7,123,741 and expenditures of \$6,900,976 for the year ended June 30, 2016. As of June 30, 2016 the total unassigned fund balance of all District governmental funds was \$2,001,659. The District's governmental funds had total revenues of \$7,034,944 and expenditures of \$7,367,427 for the year ended June 30, 2015. As of June 30, 2015, the total unassigned fund balance for all District governmental funds was \$2,066,454.

**GENERAL FUND BUDGET HIGHLIGHTS**

Actual revenue for the year ended June 30, 2016 was \$6,403 more than budgeted. This was mainly due to less foundation aid and more taxes and fees received than budgeted. Actual revenue for the year ended June 30, 2015 was \$87,845 more than budgeted. This was mainly due to more foundation aid and tuition fees received than budgeted.

Actual expenditures for the year ending June 30, 2016 were \$227,537 less than budgeted. This was mainly due in part to more capital purchases than budgeted and less spent in regular instruction during the year. Actual expenditures for the year ending June 30, 2015 were \$48,693 less than budgeted. This was mainly due in part to more capital purchases than budgeted and less spent in regular instruction during the year.

**CAPITAL ASSETS**

As of June 30, 2016, **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** had \$5,476,705 invested in capital assets. Table IV shows the balances as of June 30, 2016 and 2015.

Table IV  
**CAPITAL ASSETS (net accumulated depreciation)**

	2016	2015
Land	\$ 43,598	\$ 43,598
Buildings	3,684,992	3,775,146
Equipment	617,333	641,029
Vehicles	1,130,782	1,029,900
Total Capital Assets (Net of Depreciation)	<u>\$ 5,476,705</u>	<u>\$ 5,489,673</u>

This total represents a decrease of \$12,968 in capital assets from July 1, 2015. For a detailed breakdown of additions and deletions to capital assets, readers are referred to note 6 to the audited financial statements that follow this analysis.

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**MANAGEMENT DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2016**

**DEBT ADMINISTRATION**

At June 30, 2016, the District had \$1,443,034 of outstanding long-term debt consisting of bonds, leases and compensated absences. For more detailed information on the District's debt, please refer to note 8 of the basic financial statements.

**FOR THE FUTURE**

The future is progressive looking for the Carrington School District with the school district continuing with projects and programs to make the school experience even better for our students.

The school district recently made many energy efficiency improvements in lighting, thermostats, and building envelope. The district installed air conditioning units in all classrooms in the elementary and high school building during the summer of 2014. The district also installed two new boilers in the high school this past fiscal year.

The previous mentioned projects have created a negative fund balance in our building fund, but with the voter established 5 mill per year, the fund should recover within the next three years.

The district passed a \$16 million referendum vote to start the process of building a new elementary school, gymnasium. Locker rooms, and auditorium. This facility project will begin in the spring of 2017, with a projected finish date in August 2018.

The school will continue to focus on technology improvements. The district will invest approximately \$50,000 toward technology in the 2017 – 2018 school budget. The plan is to continue the technology improvements into future school years with our 1 to 1 mobile device initiative that has given every student his or her own iPad or MacBook Computer.

The school district will continue to maintain and keep current our bus fleet with the plan to purchase one new bus in the fiscal year 2017 – 2018 school year.

The district continues to have concerns with the state foundation aid funding formula that is heavily weighted on student enrollment, due to the fact the school district is experiencing declining enrollment.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Carrington Public Schools. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact the Business Manager of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, 100 3<sup>rd</sup> Avenue South, Carrington, ND 58421; phone 701-652-3136, fax 701-652-1243.

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

Carrington, North Dakota

Statement of Net Position

June 30, 2016

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,745,398
Certificates of deposit over three months	500,000
Taxes receivable	85,079
Receivable from other governmentals	133,486
Inventories	3,647
Capital Assets	
Land	43,598
Buildings	5,616,291
Equipment	1,178,126
Vehicles	1,379,851
Less: accumulated depreciation	<u>(2,741,161)</u>
Total Capital Assets	<u>5,476,705</u>
Total Assets	<u>7,944,315</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>1,242,953</u>
Total Deferred Outflows of Resources	<u>1,242,953</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 9,187,268</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 99,357
Due within one year	
Bonds, leases	112,709
Due in more than one year	
Bonds, leases	1,208,352
Compensated absences	121,973
Net Pension Obligation	<u>6,380,780</u>
Total Liabilities	<u>7,923,171</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>166,323</u>
Total Deferred Inflows of Resources	<u>166,323</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,155,644
Restricted for:	
Debt service	248,707
Other purposes	56,418
Unrestricted	<u>(3,362,995)</u>
Total Net Position	<u>1,097,774</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u><u>\$ 9,187,268</u></u>

The accompanying notes are an integral part of these financial statements

# CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 3,489,757	\$ 26,990	\$	\$ (3,462,767)
Federal	292,254		166,478	(125,776)
Special education	619,179			(619,179)
Vocational education	282,801	39,716	121,087	(121,998)
Support services				
Instructional support services	195,074			(195,074)
Administration services	366,256			(366,256)
Operation and maintenance of plant	565,296			(565,296)
Student transportation	395,572		165,638	(229,934)
Extracurricular activities	274,239	8,875		(265,364)
Food service	307,446	173,914	123,595	(9,937)
Interest on long-term debt	33,526			(33,526)
Total governmental activities	\$ 6,821,400	\$ 249,495	\$ 576,798	(5,995,107)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,932,333
Property taxes, levied for specific purposes				328,579
State aid not restricted to specific programs				3,976,608
Unrestricted investment earnings				1,798
Miscellaneous				62,925
Total general revenues, special items, and transfers				6,302,243
Change in net position				307,136
Net position:				
Beginning of year				790,638
Net position - ending				\$ 1,097,774

The accompanying notes are an integral part of these financial statements

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND DEFERRED</b>			
<b>OUTFLOWS OF RESOURCES</b>			
Cash and cash equivalents	\$ 1,432,540	\$ 312,858	\$ 1,745,398
Certificates of deposit over three months	500,000		500,000
Taxes receivable, net	73,660	11,419	85,079
Receivable from other governments	133,486		133,486
Due from other funds	196,392		196,392
Inventories		3,647	3,647
Total assets and deferred outflows of resources	<u>\$ 2,336,078</u>	<u>\$ 327,924</u>	<u>\$ 2,664,002</u>
<b>LIABILITIES, DEFERRED INFLOWS</b>			
<b>OF RESOURCES AND FUND</b>			
<b>BALANCES</b>			
Liabilities:			
Accounts payable	\$ 99,245	\$ 112	\$ 112
Accrued contracts and benefits	99,245		99,245
Due to other funds		196,392	196,392
Total liabilities	<u>99,245</u>	<u>196,504</u>	<u>295,749</u>
Deferred inflows of resources:			
Unavailable revenue	<u>58,229</u>	<u>6,993</u>	<u>65,222</u>
Fund balances:			
Nonspendable		3,647	3,647
Assigned		52,771	52,771
Restricted		244,954	244,954
Unassigned	2,178,604	(176,945)	2,001,659
Total fund balances	<u>2,178,604</u>	<u>124,427</u>	<u>2,303,031</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,336,078</u>	<u>\$ 327,924</u>	<u>\$ 2,664,002</u>

The accompanying notes are an integral part of these financial statements

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2016**

Total fund balance, governmental funds	\$ 2,303,031
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	5,476,705
Certain revenues are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	65,222
A deferred inflow of resources related to pension is not considered a liability for the governmental fund financials, but are reported in the governmental activities of the Statement of Net Position	(166,323)
A net pension obligation should be reported as a liability in the government-wide statement of net position. Conversely, a net pension obligation is not considered to represent a financial liability; therefore, it is not properly reported in a governmental fund	(6,380,780)
A deferred outflow of resources related to pensions is not considered an asset for the governmental fund financials, but are reported in the governmental activities of the Statement of Net Position	1,242,953
Some liabilities, (such as Bonds Payable and Compensated Absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(1,443,034)
Net Assets of Governmental Activities in the Statement of Net Position.	<u>\$ 1,097,774</u>

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Local aid	\$ 2,050,170	\$ 475,944	\$ 2,526,114
State aid	4,263,333	3,223	4,266,556
Federal aid	166,478	120,372	286,850
Investment earnings	1,788	11	1,799
Miscellaneous	4,505	37,917	42,422
Total revenues	<u>6,486,274</u>	<u>637,467</u>	<u>7,123,741</u>
<b>EXPENDITURES</b>			
Current			
Instruction			
Regular	3,245,112		3,245,112
Federal	281,344		281,344
Special education	623,628		623,628
Vocational education	278,795		278,795
Support Services			
Instructional support services	185,657		185,657
Administration services	364,816		364,816
Operation and maintenance of plant	537,172		537,172
Student transportation	329,770		329,770
Extracurricular activities	262,665		262,665
Food Service		307,445	307,445
Debt Service			
Principal		111,427	111,427
Interest and other charges		30,282	30,282
Capital Outlay	244,320	98,543	342,863
Total Expenditures	<u>6,353,279</u>	<u>547,697</u>	<u>6,900,976</u>
Excess (deficiency) of revenues over expenditures	132,995	89,770	222,765
<b>OTHER FINANCING SOURCES</b>			
Transfer in		20,845	20,845
Transfer out	(20,845)		(20,845)
	<u>(20,845)</u>	<u>20,845</u>	
Net change in fund balances	112,150	110,615	222,765
Fund balances - beginning	2,066,454	13,812	2,080,266
Fund balances - ending	<u>\$ 2,178,604</u>	<u>\$ 124,427</u>	<u>\$ 2,303,031</u>

The accompanying notes are an integral part of these financial statements

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2016**

Net change in fund balances - total governmental funds:	\$ 222,765
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which net capital outlays of \$296,074 exceeded depreciation of \$309,042 in the current period.	(12,968)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	4,796
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long term liabilities. This is the amount by which repayments exceeded proceeds.	111,427
Governmental funds report all bond issue costs as expenditures. The Statement of Activities defers those costs and amortizes them over the life of the debt.	(3,245)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	13,721
Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension expense	(29,360)
Change in net assets of governmental activities	<u>\$ 307,136</u>

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016**

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 88	\$ 211,305
Certificates of deposit over three months	649,973	
Total Assets	<u>650,061</u>	<u>211,305</u>
<b>LIABILITIES</b>		
Refunds payable and others		211,305
Total Liabilities		<u>\$ 211,305</u>
<b>NET POSITION</b>		
Reserved for scholarships	650,061	
Total Net Position	<u>\$ 650,061</u>	

The accompanying notes are an integral part of these financial statements

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Investment earnings:	
Interest	\$ 2,493
Total additions	<u>2,493</u>
<b>DEDUCTIONS</b>	
Transfers out	<u>4,809</u>
Total deductions	<u>4,809</u>
Change in net position	(2,316)
Net position - beginning	652,377
Net position - ending	<u><u>\$ 650,061</u></u>

The accompanying notes are an integral part of these financial statements

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2016**

**1. Summary of Significant Accounting Policies**

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

**A. Description of the School District**

The **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** is organized under the laws of the State of North Dakota. It provides a system of free public schools for all children of legal age residing within the district. It is governed by an elected five-member school board and operates grades K through 12.

**B. Reporting Entity**

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

**C. Basis of Presentation**

***District-Wide Financial Statements***

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

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

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

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**C. Basis of Presentation – continued**

***Fund Financial Statements***

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

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

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

***Governmental Funds***

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

***General Fund***

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

***Fiduciary Funds*** (not included in district-wide statements)

***Private-purpose Trust Funds***

Private-purpose Trust Funds are used to account for resources legally held in trust for student scholarships.

***Agency Funds***

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

***Major Funds***

The District reports the following major governmental funds:  
General Fund

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**C. Basis of Presentation - continued**

***Non-Major Funds***

The District reports the following non-major funds:

- Special Revenue Funds
- School Lunch Fund
- Debt Service Fund
- Capital Projects Fund

***Fiduciary Funds***

The District reports the following fiduciary funds:

- Private-purpose Trust Funds
- Scholarship Fund
- Agency Funds
- Student Activity Fund

**D. Basis of Accounting**

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

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

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

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

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**D. Basis of Accounting - continued**

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

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

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

**E. Measurement Focus**

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

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

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

**F. Estimates**

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

**G. Deposits and Investments**

The District maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentality's, all bonds and notes guaranteed by the United States government, Federal Land Bank

## **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota**

### **NOTES TO FINANCIAL STATEMENTS - continued**

**Year Ended June 30, 2016**

#### **G. Deposits and Investments - continued**

bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, or instrumentality's, or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body, and bonds issued by any other state of the United States or such other securities approved by the banking board.

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

*Credit risk* - North Dakota state statute authorizes school district to invest their surplus funds in:

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

The District has no investments other than fully insured and collateralized demand and time deposits.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the District's deposits are fully insured or collateralized with securities held by the financial institutions in the District's name. (See note 2)

#### **H. Cash Flow Information**

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

#### **I. Inventories**

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting and consist of food, commodities and other supplies.

#### **J. Capital Assets**

##### ***District-Wide Statements***

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The

## **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota**

### **NOTES TO FINANCIAL STATEMENTS - continued**

**Year Ended June 30, 2016**

#### **J. Capital Assets – continued**

assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated capital assets are recorded at their fair market value at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings	60 - 75 years
Equipment	10 - 20 years
Vehicles	10 - 20 years

#### ***Fund Financial Statements***

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

#### **K. Long Term Obligations**

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

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

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources. The payment of principal and interest are reported as expenditures.

#### **L. Compensated Absences**

The District allows employees to accumulated unused sick leave. Earned vacation time is generally required to be used in the year earned. Upon termination, payment shall be made at the rate of 25% of the accumulated days based on the current salary level. The amount to be paid from current resources is not significant.

#### **M. Equity Classifications**

##### ***Government-Wide Statements***

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

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, or other

## **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota**

### **NOTES TO FINANCIAL STATEMENTS - continued**

**Year Ended June 30, 2016**

#### **M. Equity Classifications - continued**

borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

2. Restricted net position – Consists of net positions with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, b) law through constitutional provisions or enabling legislation. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.
3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

#### ***Fund Balance***

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

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

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

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

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

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

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**N. Pensions**

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

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

**2. Cash and Cash Equivalents**

All of the collateral pledged falls under GASB Category 1 which is insured, either by the FDIC (Federal Deposit Insurance Corporation) or by the FSLIC (Federal Savings and Loan Insurance Corporation) or held by the District's agent in the District's name.

The following is a breakdown of deposits in the banks under custody of the District as of June 30, 2016.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Activities		
Cash and cash equivalents	\$ 1,745,398	\$ 2,175,056
Certificates of deposit over three months	500,000	500,000
Private-purpose Trust Funds		
Cash and cash equivalents	88	88
Certificates of deposit over three months	649,973	649,973
Agency Funds		
Cash and cash equivalents	211,305	213,965
	<u>\$ 3,106,764</u>	<u>\$ 3,539,082</u>

**3. Receivable From Other Governments**

Due from other governments consists of the following as of June 30, 2016:

Local	\$ 72,469
Federal	61,017
	<u>\$ 133,486</u>

**4. Interfund Transfers**

Transfers to/from other funds at June 30, 2016, consist of the following:

Transfer from general fund to school lunch to cover shortages	\$ 20,845
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**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**5. Interfund Receivables/Payables**

A portion of the cash of the District is commingled into pooled cash. Interfund receivables and payables represents the balance owed between funds.

Due to general fund from other governmental funds	\$ (196,392)
Due from other governmental funds to the general fund	196,392

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land	\$ 43,598	\$	\$	\$ 43,598
Total Capital Assets Not Being Depreciated	43,598			43,598
Capital Assets Being Depreciated				
Buildings	5,616,291			5,616,291
Equipment	1,055,713	131,213	8,800	1,178,126
Vehicles	1,214,990	164,861		1,379,851
Total Capital Assets Being Depreciated	7,886,994	296,074	8,800	8,174,268
Total Capital Assets	7,930,592	296,074	8,800	8,217,866
Less Accumulated Depreciation for:				
Buildings	1,841,144	90,155		1,931,299
Equipment	414,685	154,908	8,800	560,793
Vehicles	185,090	63,979		249,069
Total Accumulated Depreciation	2,440,919	309,042	8,800	2,741,161
Net Capital Assets	\$5,489,673	\$ (12,968)	\$	\$5,476,705

Depreciation expense was charged to functions as follows:

Instruction	\$ 207,720
Special education	362
Vocational education	4,006
Instructional support	9,299
Administration	323
Operation and maintenance	9,957
Student transportation	65,802
Extracurricular activities	11,573
	<u>\$ 309,042</u>

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District currently has deferred outflows of resources related to pensions.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District currently has deferred inflows of resources related to pensions. The District has unavailable revenue from a variety of sources in the governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**8. Long Term Obligations**

Long term liability activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
School building bonds, series 2012	\$ 845,000	\$	\$ 65,000	\$ 780,000	\$ 65,000
Issue costs	(16,718)		(1,497)	(15,221)	
State school construction loan	587,347		46,427	540,920	47,709
Issue costs	(19,084)		(1,748)	(17,336)	
Lease/purchase computers	32,698			32,698	
Net pension obligation	5,112,721	1,268,059		6,380,780	
Total	<u>6,541,964</u>	<u>1,268,059</u>	<u>108,182</u>	<u>7,701,841</u>	<u>112,709</u>
Other Liabilities					
Vested compensated absences	<u>135,695</u>		<u>13,722</u>	<u>121,973</u>	
Total Long-Term Liabilities	<u>\$ 6,677,659</u>	<u>\$ 1,268,059</u>	<u>\$ 121,904</u>	<u>\$ 7,823,814</u>	<u>\$ 112,709</u>

Terms and maturity of long term debt are as follows:

\$970,000 general obligation school building bonds, series 2012, dated April 12, 2012, due in annual installments of \$60,000 to \$80,000 starting August 1, 2013 with interest due semi-annually at .6% to 2.5%.

\$952,915 state school construction loan, dated December 1, 2006, due in annual installments of \$62,638 including interest at 2.76% starting June 1, 2007 to June 1, 2026.

Apple financial services lease, dated April 30, 2015, due \$75,000 on May 29, 2015 and in four annual installments of \$38,695.78 including interest starting July 15, 2015 to July 15, 2018, the school elected to make early principle and interest payments of \$191,087.34.

Estimated payments of accumulated employee benefits are not included in the following schedule.

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**8. Long Term Obligations - continued**

Debt service requirements to maturity on general obligation debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 112,709	\$ 27,854	\$ 140,563
2018	114,025	25,888	139,913
2019	115,379	23,885	139,264
2020	121,769	21,679	143,448
2021	123,198	19,270	142,468
2022-2026	653,840	55,015	708,855
2027	80,000	1,000	81,000
Totals	<u>\$ 1,320,920</u>	<u>\$ 174,591</u>	<u>\$ 1,495,511</u>

The School leases equipment with a historical cost of \$223,270 and accumulated amortization of \$40,933 under a capital lease arrangement. Future minimum lease payments at June 30, 2016, are as follows:

2017	\$ 2,972
2018	2,008
2019	33,715
	<u>38,695</u>
Less interest	5,997
	<u>\$ 32,698</u>

**9. North Dakota Teachers' Fund for Retirement**

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

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

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

**Pension Benefits**

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

*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-

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

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

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

At June 30, 2016, the District reported a liability of \$6,063,792 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 01, 2015, the District's proportion was .463644 percent which was an increase of .006383 from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$412,822. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement – continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,736	\$
Changes of assumptions	680,860	
Net difference between projected and actual earnings on pension plan investments		68,378
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,402	
Employer contributions subsequent to the measurement date	377,866	
Total	\$ 1,161,864	\$ 68,378

Deferred outflows of resources related to pensions in the amount of \$377,866 resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

**Year ended June 30:**

2017	\$ 80,110
2018	80,110
2019	80,110
2020	218,085
2021	131,698
Thereafter	125,507

**Actuarial assumptions.** The total pension liability in the July 1, 2015 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.

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

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 .25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expenses 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	57%	7.50%
Global Fixed Income	22%	1.30%
Global Real Assets	20%	5.40%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**9. North Dakota Teachers' Fund for Retirement - continued**

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Employer's proportionate share of the net pension liability	\$ 8,013,588	\$ 6,063,792	\$ 4,437,703

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

**10. North Dakota Public Employees Retirement System (Main System)**

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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 provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their 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,

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota**

**NOTES TO FINANCIAL STATEMENTS - continued**

**Year Ended June 30, 2016**

**10. North Dakota Public Employees Retirement System (Main System) - continued**

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

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

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

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

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At June 30, 2016, the District reported a liability of \$316,988 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2015 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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49****Carrington, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2016****10. North Dakota Public Employees Retirement System (Main System) - continued**

System pension plan relative to the covered payroll of all participating Main System employers. At July 01, 2015 the Employer's proportion was .046617 percent which was a decrease of .004025 from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$24,919. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,196	\$
Changes of assumptions		28,242
Net difference between projected and actual earnings on pension plan investments	36,627	43,319
Changes in proportion and differences between employer contributions and proportionate share of contribution		26,384
Employer contributions subsequent to the measurement date	35,248	
Total	<u>\$ 81,071</u>	<u>\$ 97,945</u>

Deferred outflows of resources related to pensions in the amount of \$35,248 resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

**Year ended June 30:**

2017	\$(13,881)
2018	(13,881)
2019	(13,881)
2020	(53)
2021	(10,431)

**Actuarial assumptions.** The total pension liability in the July 1, 2015 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

# CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

## NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2016

### 10. North Dakota Public Employees Retirement System (Main System) - continued

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%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015.

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

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

Carrington, North Dakota

**NOTES TO FINANCIAL STATEMENTS - continued**

Year Ended June 30, 2016

**10. North Dakota Public Employees Retirement System (Main System) - continued**

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Employer's proportionate share of the net pension liability	\$ 486,085	\$ 316,988	\$ 178,636

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

**11. Risk Management**

The District is exposed to various risks related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; health care of its employees and natural disasters. The District has purchased commercial insurance to cover any potential losses.

The District participates in the North Dakota Insurance Reserve Fund (NDIRF) entity risk pool established by certain municipalities ("Members") to provide liability coverage. The District's payments to NDIRF are displayed on the financial statements as expenditures/expenses in the appropriate funds. The purpose of the NDIRF is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the Members and other parties included within the scope of coverage of the NDIRF. The District does not exercise any control over the activities of the NDIRF.

The District's risk for worker's compensation is covered by premiums paid to the North Dakota Workforce Safety & Insurance. The Bureau was created by the Legislature of the State of North Dakota.

The District's risk for property coverage is covered by premiums paid to the North Dakota State Fire and Tornado Fund. The Fund was established by the State of North Dakota to insure political subdivisions and certain other entities against loss to public buildings and permanent contents from damage caused by fire, tornadoes and other types of risks. There has been no major reduction in insurance coverage and settled claims from these risks have not exceeded commercial coverage for the past three years.

**12. Lease Commitments**

As of June 30, 2016, the District leases the armory under a three year lease. The District also leases a building for one year, renewable annually. Two copiers are leased under a five year lease. The copier leases may renew automatically up to 4 subsequent 1 year terms unless written notice is given. Total lease expense for the year is \$33,675. Future minimum lease commitments are as follows:

2017	\$ 24,273
2018	20,000

**13. Fund Deficits**

The capital projects fund has a deficit fund balance of \$176,945 at June 30, 2016 which will be recovered over the next few years by mill levy collections.

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2016**

**14. Governmental Fund Balances**

Governmental fund balances reported on the fund financial statements at June 30, 2016, include the following:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Lunch</u>
Nonspendable Inventories	\$	\$	\$	\$ 3,647
Assigned School lunch				52,771
Restricted Debt service		244,954		
Unassigned	<u>2,178,604</u>	<u></u>	<u>(176,945)</u>	<u></u>
Total	<u>\$2,178,604</u>	<u>\$ 244,954</u>	<u>\$ (176,945)</u>	<u>\$ 56,418</u>

**15. Contingencies**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2016.

**16. Subsequent Events**

At the October 11, 2016 board meeting, the District authorized \$10,000,000 general obligation state school construction bonds for the construction of a new elementary school.

**REQUIRED SUPPLEMENTARY INFORMATION**

# CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

Budget and Actual (with Variances)

General Fund

Year ended June 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 2,018,830	\$ 2,018,830	\$ 2,050,170	\$ 31,340
State sources	4,290,302	4,290,302	4,263,333	(26,969)
Federal sources	161,546	161,546	166,478	4,932
Investment earnings	3,750	3,750	1,788	(1,962)
Miscellaneous	5,443	5,443	4,505	(938)
Total revenues	6,479,871	6,479,871	6,486,274	6,403
<b>EXPENDITURES</b>				
Instruction				
Regular	3,381,794	3,381,794	3,245,112	136,682
Federal	260,417	260,417	281,344	(20,927)
Special education	700,355	700,355	623,628	76,727
Vocational education	293,627	293,627	278,795	14,832
Support services				
Instructional support services	190,725	190,725	185,657	5,068
Administrative services	356,293	356,293	364,816	(8,523)
Operation and maintenance of plant	601,275	601,275	537,172	64,103
Student transportation	361,125	361,125	329,770	31,355
Extracurricular activities	254,600	254,600	262,665	(8,065)
Capital Outlay	180,605	180,605	244,320	(63,715)
Total Expenditures	6,580,816	6,580,816	6,353,279	227,537
<b>OTHER FINANCING USES</b>				
Transfer out	(20,720)	(20,720)	(20,845)	(125)
Net change in fund balances	(121,665)	(121,665)	112,150	233,815
Fund balances - beginning	2,066,454	2,066,454	2,066,454	
Fund balances - ending	\$ 1,944,789	\$ 1,944,789	\$ 2,178,604	\$ 233,815

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**

**Carrington, North Dakota  
Notes to Required Supplementary Information  
Budget and Actual (with Variances)  
General Fund  
Year Ended June 30, 2016**

**Note A - Budgets and Budgetary Accounting**

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

1. The Business Manager, Superintendent, and a two-member finance committee prepare the District budget on the modified accrual basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund and the school lunch fund (special revenue).
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the county auditor by August 25.
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.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	2016	2015
Employer's proportion of the net pension liability	0.046617%	0.050642%
Employer's proportionate share of the net pension liability	\$ 316,988	\$ 321,436
Employer's covered payroll	\$ 415,304	\$ 426,604
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%

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

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

	2016	2015
Statutorily required contributions	\$ 31,545	\$ 34,304
Contributions in relation to the statutorily required contributions	\$ (29,570)	\$ (34,304)
Contribution deficiency (excess)	\$ 1,975	\$
Employer's covered-employee payroll	\$ 415,304	\$ 426,604
Contributions as a percentage of covered-employee payroll	7.60%	8.04%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**North Dakota Public Employees Retirement System (Main System)**

**Changes of assumptions.** Amounts reported in 2016 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.

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY**  
**ND Teachers' Fund for Retirement**  
**Last 10 Fiscal Years\***

	2016	2015
Employer's proportion of the net pension liability	0.463644%	0.457261%
Employer's proportionate share of the net pension liability	\$ 6,063,792	\$ 4,791,285
Employer's covered payroll	\$ 2,851,899	\$ 2,652,356
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	62.10%	66.60%

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

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

	2016	2015
Statutorily required contributions	\$ 363,599	\$ 285,126
Contributions in relation to the statutorily required contributions	\$ (363,599)	\$ (285,126)
Contribution deficiency (excess)	\$	\$
Employer's covered-employee payroll	\$ 2,851,899	\$ 2,652,356
Contributions as a percentage of covered-employee payroll	12.75%	10.75%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**North Dakota Teachers' Fund for Retirement**

**Changes of assumptions.** Amounts reported in 2016 reflect the following actuarial assumptions changes effective

- 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.

**OTHER SUPPLEMENTARY INFORMATION**

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2016**

	Debt Service	Capital Projects	School Lunch	Total Other Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>OF RESOURCES</b>				
Cash and cash equivalents	\$ 242,686	\$ 17,289	\$ 52,883	\$ 312,858
Taxes receivable, net	6,025	5,394		11,419
Inventories			3,647	3,647
Total assets and deferred outflows of resources	<u>\$ 248,711</u>	<u>\$ 22,683</u>	<u>\$ 56,530</u>	<u>\$ 327,924</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$	\$	\$ 112	\$ 112
Due to other funds		196,392		196,392
Total liabilities		<u>196,392</u>	<u>112</u>	<u>196,504</u>
Deferred inflows of resources:				
Unavailable revenue	<u>3,757</u>	<u>3,236</u>		<u>6,993</u>
<b>FUND BALANCES</b>				
Nonspendable			3,647	3,647
Assigned			52,771	52,771
Restricted	244,954			244,954
Unassigned		(176,945)		(176,945)
Total fund balances	<u>244,954</u>	<u>(176,945)</u>	<u>56,418</u>	<u>124,427</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 248,711</u>	<u>\$ 22,683</u>	<u>\$ 56,530</u>	<u>\$ 327,924</u>

# CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Year Ended June 30, 2016

	Debt Service	Capital Projects	School Lunch	Total Other Governmental Funds
<b>REVENUES</b>				
Local aid	\$ 157,079	\$ 144,951	\$ 173,914	\$ 475,944
State aid			3,223	3,223
Federal aid			120,372	120,372
Investment earnings	5	1	5	11
Miscellaneous		37,917		37,917
Total revenues	157,084	182,869	297,514	637,467
<b>EXPENDITURES</b>				
Current:				
Food Service			307,445	307,445
Debt Service:				
Principal	111,427			111,427
Interest and other charges	30,282			30,282
Capital Outlay		98,543		98,543
Total Expenditures	141,709	98,543	307,445	547,697
Excess (deficiency) of revenues over expenditures	15,375	84,326	(9,931)	89,770
<b>OTHER FINANCING SOURCES</b>				
Transfer in				
Net change in fund balances	15,375	84,326	20,845	20,845
Fund balances - beginning	229,579	(261,271)	10,914	110,615
Fund balances - ending	\$ 244,954	\$ (176,945)	\$ 45,504	\$ 13,812
			\$ 56,418	\$ 124,427

**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
**Carrington, North Dakota**  
**SCHOOL DISTRICT OFFICIALS**  
**June 30, 2016**

Scott Fetch	President
Joel Lemer	1 <sup>st</sup> Vice-President
Bruce Bachmeier	2 <sup>nd</sup> Vice-President
Angela Kutz	Board Member
Kevin Wolsky	Board Member
Dr. Brian Duchscherer	Superintendent
Kimary Edland	Business Manager



# Schauer & Associates, P.C.

Certified Public Accountants

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

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

School Board  
**CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**  
Carrington, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2017.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'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 **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** internal control. Accordingly, we do not express an opinion on the effectiveness of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we considered to be a significant deficiency. (2016-001)

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

**Compliance and Other Matters**

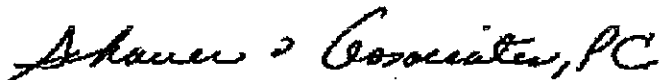
As part of obtaining reasonable assurance about whether CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Carrington Public School District No. 49 Response to Finding**

Carrington Public School District No. 49's response to the finding identified in our audit is described in the accompanying schedule of findings. Carrington Public School District No. 49's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
February 11, 2017