

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

***REPORT ON FINANCIAL STATEMENTS
(with supplementary information)
Year Ended June 30, 2017***

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
CONTENTS
Year Ended June 30, 2017

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Position – Fiduciary Funds	15
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	16
Notes to Financial Statements	17 - 38
Required Supplementary Information	
Budgetary Comparison Schedules	
Budget and Actual (with Variances) - General Fund	39
Notes to Required Supplementary Information	40
Schedule of School District's Share of Net Pension Liability – NDPERS	41
Schedule of School District Contributions - NDPERS	41
Notes to Required Supplementary Information – NDPERS	41
Schedule of School District's Share of Net Pension Liability – NDTFFR	42
Schedule of School District Contributions - NDTFFR	42

Notes to Required Supplementary Information – NDTFFR	42
Other Supplementary Information	
School District Officials	43
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 <i>Government Auditing Standards</i>	44-45
Schedule of Findings	46



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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, 2017, 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, 2017 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 3 through 8 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018, on our consideration of the **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** internal control over financial reporting and compliance

Schauer & Associates, P.C.

SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
January 8, 2018

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

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, 2017. 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 2016-2017 are as follows:

- Net position of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** increased \$917,562 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$2,015,336.
- Total revenues from all sources were \$8,257,110.
- Total expenditures were \$7,339,548.
- The District's general fund had \$6,615,847 in total revenues and \$6,607,077 in total expenditures. Overall, the general fund balance increased by \$16,750 for the year ended June 30, 2017.

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, 2017?"

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, 2017

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, 2017 and 2016.

As indicated in the financial highlights above, the District's net position increased by \$917,562 for the year ended June 30, 2017 and increased by \$307,136 for the year ended June 30, 2016. Changes in net position may serve over time as a useful indicator of the District's financial condition.

The District's net position of \$2,015,336 is segregated into three separate categories. Net investment in capital assets is 216% of total net position. Restricted net position represents 223% 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	2017	2016
Current assets	\$ 7,690,646	\$ 2,467,610
Capital assets (net of depreciation)	8,172,318	5,476,705
Deferred outflows of resources	1,704,755	1,242,953
Total Assets and Deferred Outflows of Resources	17,567,719	9,187,268

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current liabilities	1,309,871	212,066
Long-term liabilities	<u>14,063,420</u>	<u>7,711,105</u>
Total Liabilities	<u>15,373,291</u>	<u>7,923,171</u>
Deferred Inflows of Resources	<u>179,092</u>	<u>166,323</u>
NET POSITION		
Net investment in capital assets	4,340,182	4,155,644
Restricted	4,480,690	305,125
Unrestricted	<u>(6,805,536)</u>	<u>(3,362,995)</u>
Total Net Position	<u>2,015,336</u>	<u>1,097,774</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 17,567,719</u>	<u>\$ 9,187,268</u>

Table II shows the changes in net position for the fiscal years ended June 30, 2017 and 2016.

Table II CHANGES IN NET POSITION Years ended June 30,				
	<u>2017</u>		<u>2016</u>	
REVENUES				
Program revenues				
Charges for services	\$ 260,729	3.16%	\$ 249,495	3.50%
Operating grants and contributions	598,707	7.25	576,798	8.10
General revenues				
Property taxes	3,329,045	40.32	2,260,912	31.71
State aid – unrestricted	4,023,504	48.73	3,976,608	55.78
Other	<u>45,125</u>	<u>.54</u>	<u>64,723</u>	<u>.91</u>
Total Revenues	<u>8,257,110</u>	<u>100.00%</u>	<u>7,128,536</u>	<u>100.00%</u>
EXPENSES				
Regular instruction	3,877,403	52.83%	3,489,757	51.16%
Federal programs	267,389	3.64	292,254	4.28
Special education	594,925	8.11	619,179	9.08
Vocational education	283,040	3.86	282,801	4.14
Instructional support services	199,057	2.71	195,074	2.86
Administrative services	345,294	4.70	366,256	5.37
Operation and maintenance of plant	612,596	8.35	565,296	8.29
Student transportation	419,463	5.72	395,572	5.80
Extracurricular activities	302,654	4.12	274,239	4.02
Food service	331,267	4.51	307,446	4.51

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2017

	2017		2016	
Interest on long-term debt	<u>106,460</u>	<u>1.45</u>	<u>33,526</u>	<u>.49</u>
Total Expenses	<u>7,339,548</u>	<u>100.00%</u>	<u>6,821,400</u>	<u>100.00%</u>
Change in Net position	917,562		307,136	
Beginning Net Position	<u>1,097,774</u>		<u>790,638</u>	
Ending Net Position	<u>\$ 2,015,336</u>		<u>\$1,097,774</u>	

Property taxes constituted 40%, unrestricted state aid 49%, operating grants and contributions 7% and charges for services 3% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2017. 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.

Regular instruction constituted 53%, vocational education 4%, and special education 8% of total expenditures for governmental activities for fiscal year ended June 30, 2017. Regular instruction constituted 51%, vocational education 4% and special education 9% of total expenditures for governmental activities for fiscal year ended June 30, 2016.

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, 2017	Net Cost For Year Ended June 30, 2017	Total Cost For Year Ended June 30, 2016	Net Cost For Year Ended June 30, 2016
Regular instruction	\$ 3,877,403	\$ 3,844,797	\$ 3,489,757	\$ 3,462,767
Federal programs	267,389	101,747	292,254	125,776
Special education	594,925	594,925	619,179	619,179
Vocational education	283,040	121,097	282,801	121,998
Instructional support services	199,057	199,057	195,074	195,074
Administrative services	345,294	345,294	366,256	366,256
Operation and maintenance of plant	612,596	604,796	565,296	565,296
Student transportation	419,463	246,818	395,572	229,934
Extracurricular activities	302,654	291,649	274,239	265,364
Food service	331,267	23,472	307,446	9,937
Interest on long-term debt	<u>106,460</u>	<u>106,460</u>	<u>33,526</u>	<u>33,526</u>
	<u>\$ 7,339,548</u>	<u>\$ 6,480,112</u>	<u>\$ 6,821,400</u>	<u>\$ 5,995,107</u>

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2017

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 \$8,237,924 and expenditures of \$9,968,367 for the year ended June 30, 2017. As of June 30, 2017 the total unassigned fund balance of all District governmental funds was \$2,195,354. 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 for all District governmental funds was \$2,001,659.

GENERAL FUND BUDGET HIGHLIGHTS

Actual revenue for the year ended June 30, 2017 was \$29,252 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, 2016 was \$6,403 more than budgeted. This was mainly due to more foundation aid and more taxes and fees received than budgeted.

Actual expenditures for the year ending June 30, 2017 were \$5,274 less than budgeted. This was mainly due in part to more spent in operation and maintenance than budgeted and less spent in special education during the year. 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.

CAPITAL ASSETS

As of June 30, 2017, **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** had \$8,172,318 invested in capital assets. Table IV shows the balances as of June 30, 2017 and 2016.

Table IV
CAPITAL ASSETS (net accumulated depreciation)

	2017	2016
Land	\$ 43,598	\$ 43,598
Construction in progress	2,679,374	
Buildings	3,766,731	3,684,992
Equipment	572,365	617,333
Vehicles	1,110,250	1,130,782
Total Capital Assets (Net of Depreciation)	<u>\$ 8,172,318</u>	<u>\$ 5,476,705</u>

This total represents an increase of \$2,695,613 in capital assets from July 1, 2016. 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, 2017

DEBT ADMINISTRATION

At June 30, 2017, the District had \$7,327,021 of outstanding long-term debt consisting of bonds 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 main project that is currently in progress is the construction of a new elementary school and gymnasium attached to the existing high school. The new facility is projected to be completed in July of 2018. Once completed the Carrington School District will have a K-12 facility located on one campus.

The new facility will help the school district with efficiencies in the future with the sharing of personnel within one facility which wasn't possible in the past with two separate buildings.

The school will continue to focus on technology improvements. The District will invest approximately \$30,000 toward technology in the 2018-2019 school budget. The plan is to continue the technology improvements into future years with our 1 to 1 mobile device initiative that has given every student his or her own iPad or MacBook computer.

The district continues to have concerns with the state foundation aid funding formula which is heavily weighted on student enrollment, due to the fact the school district is experiencing declining enrollment. The declining enrollment and the increase in salary and benefits has created a projected deficit budget for next year and future years. It is important that the school district develop a strategic plan to address the projected deficit budgets.

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 3rd 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, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,786,726
Certificates of deposit over three months	4,500,000
Taxes receivable	177,030
Receivable from other governmentals	180,651
Other receivables	29,750
Prepaid expenses	14,000
Inventories	2,489
Capital Assets	
Land	43,598
Construction in progress	2,679,374
Buildings	5,789,628
Equipment	1,280,127
Vehicles	1,412,869
Less: accumulated depreciation	<u>(3,033,278)</u>
Total Capital Assets	<u>8,172,318</u>
Total Assets	<u>15,862,964</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>1,704,755</u>
Total Deferred Outflows of Resources	<u>1,704,755</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 17,567,719</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 950,846
Due within one year	
Bonds	359,025
Due in more than one year	
Bonds	6,855,096
Compensated absences	112,900
Net Pension Obligation	<u>7,095,424</u>
Total Liabilities	<u>15,373,291</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>179,092</u>
Total Deferred Inflows of Resources	<u>179,092</u>
NET POSITION	
Net investment in capital assets	4,340,182
Restricted for:	
Debt service	1,231,335
Capital projects	3,194,633
Other purposes	54,722
Unrestricted	<u>(6,805,536)</u>
Total Net Position	<u>2,015,336</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u><u>\$ 17,567,719</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, 2017

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction				
Regular	\$ 3,877,403	\$ 32,606	\$	\$ (3,844,797)
Federal	267,389		165,642	(101,747)
Special education	594,925			(594,925)
Vocational education	283,040	41,093	120,850	(121,097)
Support services				
Instructional support services	199,057			(199,057)
Administration services	345,294			(345,294)
Operation and maintenance of plant	612,596		7,800	(604,796)
Student transportation	419,463		172,645	(246,818)
Extracurricular activities	302,654	11,005		(291,649)
Food service	331,267	176,025	131,770	(23,472)
Interest on long-term debt	106,460			(106,460)
Total governmental activities	\$ 7,339,548	\$ 260,729	\$ 598,707	(6,480,112)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,973,850
Property taxes, levied for specific purposes				1,355,195
State aid not restricted to specific programs				4,023,504
Unrestricted investment earnings				5,826
Miscellaneous				57,131
<i>Special Item</i> - Loss on disposal of assets				(17,832)
Total general revenues and special items				7,397,674
Change in net position				917,562
Net position:				
Beginning of year				1,097,774
Net position - ending				\$ 2,015,336

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, 2017

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED					
OUTFLOWS OF RESOURCES					
Cash and cash equivalents	\$ 1,459,225	\$ 104,358	\$ 1,170,551	\$ 52,593	\$ 2,786,727
Certificates of deposit over three months	500,000	4,000,000			4,500,000
Taxes receivable, net	108,043	8,203	60,784		177,030
Receivable from other governments	180,651				180,651
Other receivables	29,750				29,750
Prepaid deposits		14,000			14,000
Due from other funds	245,868				245,868
Inventories				2,489	2,489
Total assets and deferred outflows of resources	\$ 2,523,537	\$ 4,126,561	\$ 1,231,335	\$ 55,082	\$ 7,936,515
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 82,236	\$ 686,060	\$	\$ 360	\$ 768,656
Accrued contracts and benefits	182,190				182,190
Due to other funds		245,868			245,868
Total liabilities	264,426	931,928		360	1,196,714
Deferred inflows of resources:					
Unavailable revenue	63,757	4,770	33,714		102,241
Fund balances:					
Nonspendable				2,489	2,489
Assigned				52,233	52,233
Restricted		3,189,863	1,197,621		4,387,484
Unassigned	2,195,354				2,195,354
Total fund balances	2,195,354	3,189,863	1,197,621	54,722	6,637,560
Total liabilities, deferred inflows of resources and fund balances	\$ 2,523,537	\$ 4,126,561	\$ 1,231,335	\$ 55,082	\$ 7,936,515

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, 2017

Total fund balance, governmental funds	\$ 6,637,560
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.	8,172,318
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.	102,240
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	(179,092)
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	(7,095,424)
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	1,704,755
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.	(7,327,021)
Net Assets of Governmental Activities in the Statement of Net Position.	<u><u>\$ 2,015,336</u></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, 2017

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local aid	\$ 2,114,451	\$ 149,191	\$ 1,162,550	\$ 176,025	\$ 3,602,217
State aid	4,324,800			1,574	4,326,374
Federal aid	165,642			130,196	295,838
Investment earnings	3,285	2,530	5	6	5,826
Miscellaneous	7,669				7,669
Total revenues	<u>6,615,847</u>	<u>151,721</u>	<u>1,162,555</u>	<u>307,801</u>	<u>8,237,924</u>
EXPENDITURES					
Current					
Instruction					
Regular	3,387,230				3,387,230
Federal	256,452				256,452
Special education	594,563				594,563
Vocational education	279,034				279,034
Support Services					
Instructional support services	189,305				189,305
Administration services	353,027				353,027
Operation and maintenance of plant	677,587				677,587
Student transportation	339,075				339,075
Extracurricular activities	291,081				291,081
Food Service				331,267	331,267
Debt Service					
Principal	32,698		112,709		145,407
Interest and other charges	6,035		97,179		103,214
Capital Outlay	200,990	2,820,135			3,021,125
Total Expenditures	<u>6,607,077</u>	<u>2,820,135</u>	<u>209,888</u>	<u>331,267</u>	<u>9,968,367</u>
Excess (deficiency) of revenues over expenditures	8,770	(2,668,414)	952,667	(23,466)	(1,730,443)
OTHER FINANCING SOURCES					
Bond proceeds		6,035,222			6,035,222
Transfer in				21,770	21,770
Transfer out	(21,770)				(21,770)
	<u>(21,770)</u>	<u>6,035,222</u>		<u>21,770</u>	<u>6,035,222</u>
SPECIAL ITEM					
Proceeds from the disposition of assets	29,750				29,750
Net change in fund balances	16,750	3,366,808	952,667	(1,696)	4,334,529
Fund balances - beginning	2,178,604	(176,945)	244,954	56,418	2,303,031
Fund balances - ending	<u>\$ 2,195,354</u>	<u>\$ 3,189,863</u>	<u>\$ 1,197,621</u>	<u>\$ 54,722</u>	<u>\$ 6,637,560</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, 2017

Net change in fund balances - total governmental funds:	\$ 4,334,529
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 \$3,060,327 exceeded depreciation of \$317,133 in the current period.	2,743,194
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.	37,018
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.	(5,889,815)
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.	9,072
Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension expense	(265,608)
In the statement of activities, the disposal of fixed assets with remaining basis is not reported, whereas in the governmental funds, the loss from the disposal decreases financial resources. Thus the change in net assets differs from the change in fund balance by the unrecovered cost of the assets sold.	(47,582)
Change in net assets of governmental activities	<u>\$ 917,562</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, 2017**

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 103	\$ 189,488
Certificates of deposit over three months	652,298	
Total Assets	<u>652,401</u>	<u>189,488</u>
LIABILITIES		
Refunds payable and others		189,488
Total Liabilities		<u>\$ 189,488</u>
NET POSITION		
Reserved for scholarships	652,401	
Total Net Position	<u>\$ 652,401</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, 2017

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 7,116
Total additions	<u>7,116</u>
DEDUCTIONS	
Transfers out	<u>4,777</u>
Total deductions	<u>4,777</u>
Change in net position	2,339
Net position - beginning	652,298
Net position - ending	<u><u>\$ 652,401</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, 2017

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, 2017

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
- Capital projects fund
- Debt service fund

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2017

C. Basis of Presentation - continued

Non-Major Funds

The District reports the following non-major fund:

- Special Revenue Funds
- School Lunch 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, 2017

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, 2017

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, 2017, 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, 2017

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	5 - 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, 2017

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, 2017****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, 2017.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Activities		
Cash and cash equivalents	\$ 2,786,726	\$ 3,246,571
Certificates of deposit over three months	4,500,000	4,500,000
Private-purpose Trust Funds		
Cash and cash equivalents	103	103
Certificates of deposit over three months	652,298	652,298
Agency Funds		
Cash and cash equivalents	189,488	185,478
	<u>\$ 8,128,615</u>	<u>\$ 8,584,450</u>

3. Receivable from Other Governments

Due from other governments consists of the following as of June 30, 2017:

State	\$ 73,720
Federal	106,931
	<u>\$ 180,651</u>

4. Interfund Transfers

Transfers to/from other funds at June 30, 2017, consist of the following:

Transfer from general fund to school lunch to cover shortages	\$ 21,770
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CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued**Year Ended June 30, 2017****5. Interfund Receivables/Payables**

A portion of the cash of the District is comingled into pooled cash. Interfund receivables and payables represent the balances owed between funds.

Due to general fund from capital projects fund	\$ (245,868)
Due from capital projects fund to general fund	245,868

6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 43,598	\$	\$	\$ 43,598
Construction in progress		2,679,374		2,679,374
Total Capital Assets Not Being Depreciated	43,598	2,679,374		2,722,972
Capital Assets Being Depreciated				
Buildings	5,616,291	173,337		5,789,628
Equipment	1,178,126	102,001		1,280,127
Vehicles	1,379,851	199,810	166,792	1,412,869
Total Capital Assets Being Depreciated	8,174,268	475,148	166,792	8,482,624
Total Capital Assets	8,217,866	3,154,522	166,792	11,205,596
Less Accumulated Depreciation for:				
Buildings	1,931,299	91,598		2,022,897
Equipment	560,793	146,969		707,762
Vehicles	249,069	78,566	25,016	302,619
Total Accumulated Depreciation	2,741,161	317,133	25,016	3,033,278
Net Capital Assets	\$5,476,705	\$ 2,837,389	\$ 141,776	\$8,172,318

Depreciation expense was charged to functions as follows:

Instruction	\$ 201,258
Special education	362
Vocational education	4,006
Instructional support	9,299
Administration	323
Operation and maintenance	9,923
Student transportation	80,389
Extracurricular activities	11,573
	<u>\$ 317,133</u>

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**Carrington, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2017****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, 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
School building bonds, series 2012	\$ 780,000	\$	\$ 65,000	\$ 715,000	\$ 65,000
Issue costs	(15,221)		(1,497)	(13,724)	
State school construction loan	540,920		47,709	493,211	49,025
Issue costs	(17,336)		(1,748)	(15,588)	
State school construction loan		6,000,000		6,000,000	245,000
Premium		35,222		35,222	
Lease/purchase computers	32,698		32,698		
Net pension obligation	6,380,780	714,644		7,095,424	
Total	<u>7,701,841</u>	<u>6,749,866</u>	<u>142,162</u>	<u>14,309,545</u>	<u>359,025</u>
Other Liabilities					
Vested compensated absences	<u>121,973</u>		<u>9,073</u>	<u>112,900</u>	
Total Long-Term Liabilities	<u>\$ 7,823,814</u>	<u>\$6,749,866</u>	<u>\$ 151,235</u>	<u>\$14,422,445</u>	<u>\$ 359,025</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.

\$6,000,000 general obligation school building bonds, series 2016, dated August 1, 2016, due in annual principal payments of \$245,000 to \$370,000 plus interest ranging from 2% to 3% starting August 1, 2017 to August 1, 2036.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2017

8. Long Term Obligations – continued

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.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 359,025	\$ 160,838	\$ 519,863
2019	365,379	153,885	519,264
2020	376,769	146,629	523,398
2021	383,198	139,070	522,268
2022	389,666	130,047	519,713
2023-2027	2,019,174	516,243	2,535,417
2028-2032	1,560,000	326,537	1,886,537
2033-2036	1,755,000	122,712	1,877,712
Totals	<u>\$ 7,208,211</u>	<u>\$ 1,695,961</u>	<u>\$ 8,904,172</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, 2017

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, 2017

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, 2017, the District reported a liability of \$6,682,731 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 01, 2016, the District's proportion was .45614092 percent which was a decrease of .00750309 from its proportion measured as of July 1, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$621,016. At June 30, 2017, 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, 2017****9. North Dakota Teachers' Fund for Retirement - continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,562	\$ 31,641
Changes of assumptions	558,201	
Net difference between projected and actual earnings on pension plan investments	555,516	
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,835	75,064
Employer contributions subsequent to the measurement date	367,896	
Total	<u>\$ 1,566,010</u>	<u>\$ 106,705</u>

Deferred outflows of resources related to pensions in the amount of \$367,896 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, 2018.

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

Year ended June 30:

2018	\$ 204,209
2019	204,209
2020	339,950
2021	254,962
2022	105,862
Thereafter	(17,783)

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

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for TFFR.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2017

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	58%	7.30%
Global Fixed Income	23%	.90%
Global Real Assets	18%	5.30%
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, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 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, 2017

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	\$ 8,668,005	\$ 6,682,731	\$ 5,029,186

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.

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, 2017

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, lifetime 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, 2017, the District reported a liability of \$412,693 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1,

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**Carrington, North Dakota****NOTES TO FINANCIAL STATEMENTS - continued****Year Ended June 30, 2017****10. North Dakota Public Employees Retirement System (Main System) – continued**

2016, the Employer's proportion was .042345 percent which was a decrease of .004272 from its proportion measured as of July 1, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$43,920. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,200	\$ 3,821
Changes of assumptions	38,045	20,503
Net difference between projected and actual earnings on pension plan investments	57,576	
Changes in proportion and differences between employer contributions and proportionate share of contribution		48,063
Employer contributions subsequent to the measurement date	36,924	
Total	<u>\$ 138,745</u>	<u>\$ 72,387</u>

Deferred outflows of resources related to pensions in the amount of \$36,924 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, 2018.

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

Year ended June 30:

2018	\$ 3,112
2019	3,112
2020	15,672
2021	6,259
2022	1,279

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2017

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

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, 2016, 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:

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 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, 2017

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	\$ 585,397	\$ 412,693	\$ 267,181

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, 2017, 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 \$38,713. Future minimum lease commitments are as follows:

2018	\$ 20,000
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13. Governmental Activities Net Position

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2017 include the following:

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2017

13. Governmental Activities Net Position – continued***Governmental Activities***

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 8,172,318
Less related long-term debt outstanding	(7,214,121)
Less related accounts payable, construction	(686,060)
Add back capital project funds not disbursed	4,068,045
Net investment in capital assets	<u>4,340,182</u>
Restricted	
Debt service	1,231,335
Capital projects	3,194,633
School lunch	54,722
Total restricted	<u>4,480,690</u>
Unrestricted	<u>(6,805,536)</u>
Total Governmental Activities Net Position	<u>\$ 2,015,336</u>

14. Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2017, include the following:

	General	Debt Service	Capital Projects	School Lunch
Nonspendable				
Inventories	\$	\$	\$	\$ 2,489
Assigned				
School lunch				52,233
Restricted		1,197,621	3,189,863	
Unassigned	<u>2,195,354</u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$2,195,354</u>	<u>\$ 1,197,621</u>	<u>\$ 3,189,863</u>	<u>\$ 54,722</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, 2017.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2017

16. Construction Commitments

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49 has entered into various contracts for the construction of a new elementary school. The estimated remaining balances owed on the contracts as of June 30, 2017 was \$12,315,162.

REQUIRED SUPPLEMENTARY INFORMATION

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

Budget and Actual (with Variances)

General Fund

Year ended June 30, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 2,067,666	\$ 2,067,666	\$ 2,114,451	\$ 46,785
State sources	4,351,812	4,351,812	4,324,800	(27,012)
Federal sources	158,863	158,863	165,642	6,779
Investment earnings	4,000	4,000	3,285	(715)
Miscellaneous	4,254	4,254	7,669	3,415
Total revenues	6,586,595	6,586,595	6,615,847	29,252
EXPENDITURES				
Instruction				
Regular	3,374,957	3,374,957	3,387,230	(12,273)
Federal	278,229	278,229	256,452	21,777
Special education	674,000	674,000	594,563	79,437
Vocational education	301,947	301,947	279,034	22,913
Support services				
Instructional support services	195,377	195,377	189,305	6,072
Administrative services	367,760	367,760	353,027	14,733
Operation and maintenance of plant	600,245	600,245	677,587	(77,342)
Student transportation	368,305	368,305	339,075	29,230
Extracurricular activities	268,500	268,500	291,081	(22,581)
Debt service				
Principal			32,698	(32,698)
Interest and other charges			6,035	(6,035)
Capital Outlay	183,031	183,031	200,990	(17,959)
Total Expenditures	6,612,351	6,612,351	6,607,077	5,274
OTHER FINANCING USES				
Transfer out	(21,770)	(21,770)	(21,770)	
SPECIAL ITEM				
Proceeds from sale of assets	(47,526)	(47,526)	29,750	29,750
Net change in fund balances	2,178,604	2,178,604	16,750	64,276
Fund balances - beginning	\$ 2,131,078	\$ 2,131,078	2,178,604	
Fund balances - ending			\$ 2,195,354	\$ 64,276

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, 2017

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*

	2017	2016	2015
Employer's proportion of the net pension liability	0.042345%	0.046617%	0.050642%
Employer's proportionate share of the net pension liability	\$ 412,693	\$ 316,988	\$ 321,436
Employer's covered payroll	\$ 426,736	\$ 415,304	\$ 426,604
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

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

	2017	2016	2015
Statutorily required contributions	\$ 30,895	\$ 31,545	\$ 34,304
Contributions in relation to the statutorily required contributions	\$ (29,771)	\$ (29,570)	\$ (34,304)
Contribution deficiency (excess)	\$ 1,124	\$ 1,975	\$
Employer's covered-employee payroll	\$ 426,736	\$ 415,304	\$ 426,604
Contributions as a percentage of covered-employee payroll	6.98%	7.12%	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*

	2017	2016	2015
Employer's proportion of the net pension liability	0.456141%	0.463644%	0.457261%
Employer's proportionate share of the net pension liability	\$ 6,682,731	\$ 6,063,792	\$ 4,791,285
Employer's covered payroll	\$ 2,963,661	\$ 2,851,899	\$ 2,652,356
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	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*

	2017	2016	2015
Statutorily required contributions	\$ 377,867	\$ 363,599	\$ 285,126
Contributions in relation to the statutorily required contributions	\$ (377,867)	\$ (363,599)	\$ (285,126)
Contribution deficiency (excess)	\$	\$	\$
Employer's covered-employee payroll	\$ 2,963,661	\$ 2,851,899	\$ 2,652,356
Contributions as a percentage of covered-employee payroll	12.75%	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 July 1,

- 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
SCHOOL DISTRICT OFFICIALS
June 30, 2017

Scott Fetch	President
Joel Lemer	1 st Vice-President
Bruce Bachmeier	2 nd 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 2018.

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. (2017-001)

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.

SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
January 8, 2018

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
SCHEDULE OF FINDINGS
Year Ended June 30, 2017

Finding 2017-001 Significant Deficiency – Financial Statement Preparation

Condition

Schauer & Associates, P.C. assists the District's management in preparing financial statements that are presented, including note disclosures in accordance with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause

The District Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosure.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

View of Responsible Officials

The District Board is aware of this condition. The District Board will continue to request that Schauer & Associates, P.C. assist with preparation of financial statements; however the Board will continue to instruct the District administration to provide all requested schedules.