Financial Statements
June 30, 2016 and 2015

Center-Stanton Public School District No. 1

Loren Henke	Board President
Richard Schmidt	Vice President
Stacey Olander	Board Member
Cassandra DuMond	Board Member
Scott Jaeger	Board Member
Curt Pierce (Retired June 30, 2016)	Superintendent
Tracy Peterson (Hired July 1, 2016)	Superintendent
Jacob Erhardt	Business Manager

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

School Board
Center-Stanton Public School District No. 1
Center, North Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center-Stanton Public School District No. 1, Center, North Dakota (School District), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Center-Stanton Public School District No. 1, as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Notes 1 and 14 to the financial statements, the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of employer's share of net pension liability, and schedule of employer's contributions on pages 45-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center-Stanton Public School District No. 1's financial statements. The School District Officials listing is presented for purposes of additional analysis and is not a required part of the financial statements.

The School District Officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017 on our consideration of Center-Stanton Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center-Stanton Public School District No. 1's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
January 17, 2017

Assets	
Cash and investments	$ 1,313,008
Taxes receivable	45,499
Intergovernmental receivables	153,219
Inventories	1,166
Capital assets, not being depreciated	
Land	376,000
Construction in progress	15,356
Capital assets, net of accumulated depreciation	
Buildings	1,435,732
Site improvements	351,408
Fixtures	66,079
Vehicles	315,919
Equipment	96,990
Total capital assets	2,657,484
Total assets	4,170,376
Deferred Outflows of Resources	
Pension plans	594,965
Liabilities	
Accounts payable	44,778
Accrued liabilities	31,852
Long-term liabilities	
Due within one year	
Capital lease payable	3,648
Tax-exempt note payable	54,377
Compensated absences	5,000
Due after one year	
Capital lease payable	3,040
Tax-exempt note payable	449,597
Housing incentives payable	8,100
Compensated absences	43,745
Net pension liability	3,207,804
Total liabilities	3,851,941
Deferred Inflows of Resources	
Pension plans	57,540
Net Position	
Net investment in capital assets	2,146,822
Restricted for	
Building fund	97,092
Unrestricted	(1,388,054)
Total Net Position	$ 855,860

Assets	
Cash and investments	$ 1,379,251
Taxes receivable	44,297
Intergovernmental receivables	177,747
Inventories	1,166
Capital assets, not being depreciated	
Land	376,000
Capital assets, net of accumulated depreciation	
Buildings	1,471,446
Site improvements	340,104
Fixtures	90,740
Vehicles	269,182
Equipment	121,192
Total capital assets	2,668,664
Total assets	4,271,125
Deferred Outflows of Resources	
Pension plans	222,510
Liabilities	
Accounts payable	21,027
Accrued liabilities	45,938
Long-term liabilities	
Due within one year	
Capital lease payable	3,648
Tax-exempt note payable	50,847
Compensated absences	5,000
Due after one year	
Capital lease payable	6,688
Tax-exempt note payable	505,709
Housing incentives payable	5,089
Compensated absences	45,260
Net pension liability	2,565,664
Total liabilities	3,254,870
Deferred Inflows of Resources	
Pension plans	306,416
Net Position	
Net investment in capital assets	2,101,772
Restricted for	
Building fund	155,351
Unrestricted	(1,324,774)
Total Net Position	$ 932,349

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Regular instruction	$ 1,954,584	$ 10,566	$ 23,720	$ (1,920,298)
Federal programs	89,944	-	89,944	-
Vocational education	78,241	-	30,491	(47,750)
District wide services	84,128	-	-	(84,128)
Administration	274,867	-	-	(274,867)
Operations and maintenance	323,628	-	-	(323,628)
Student transportation	289,875	-	149,527	(140,348)
Student activities	137,084	-	-	(137,084)
Community services	28,478	-	-	(28,478)
Food services	171,920	77,041	45,231	(49,648)
Interest expense	34,397	-	-	(34,397)
Total governmental activities	$ 3,467,146	$ 87,607	$ 338,913	(3,040,626)

General Revenues	
Taxes	
Property taxes; levied for general purposes	643,984
Property taxes; levied for building purposes	45,617
Coal severance and conversion taxes	312,780
Telecommunications and financial institution taxes	39,305
State aid - not restricted to specific program	1,903,508
Earnings on investments	1,712
Miscellaneous revenue	17,231
Total General Revenues	2,964,137
Change in Net Position	(76,489)
Net Position - Beginning	932,349
Net Position - Ending	$ 855,860

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Regular instruction	$ 1,773,237	$ 12,782	$ 8,589	$ (1,751,866)
Federal programs	111,329	-	109,075	(2,254)
Vocational education	101,827	-	24,873	(76,954)
District wide services	63,422	-	-	(63,422)
Administration	252,891	-	-	(252,891)
Operations and maintenance	688,565	-	99,705	(588,860)
Student transportation	224,169	-	150,207	(73,962)
Student activities	133,980	-	-	(133,980)
Community services	29,136	-	-	(29,136)
Food services	184,261	73,001	50,713	(60,547)
Interest expense	36,132	-	-	(36,132)
Total governmental activities	$ 3,598,949	$ 85,783	$ 443,162	(3,070,004)

General Revenues	
Taxes	
Property taxes; levied for general purposes	621,928
Property taxes; levied for building purposes	40,837
Coal severance and conversion taxes	338,682
Telecommunications and financial institution taxes	28,536
State aid - not restricted to specific program	2,054,793
Earnings on investments	1,877
Miscellaneous revenue	63,483
Total General Revenues	3,150,136
Change in Net Position	80,132
Net Position - Beginning, as restated (Note 14)	852,217
Net Position - Ending	$ 932,349

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 1,056,570	$ 212,103	$ 44,335	$ 1,313,008
Taxes receivable	42,531	2,968	-	45,499
Intergovernmental receivables	151,339	1,858	22	153,219
Inventories	-	-	1,166	1,166
Total assets	$ 1,250,440	$ 216,929	$ 45,523	$ 1,512,892
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 14,123	$ 30,655	$ -	$ 44,778
Accrued liabilities	31,852	-	-	31,852
Total liabilities	45,975	30,655	-	76,630
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	42,531	2,968	-	45,499
Fund balances				
Nonspendable:				
Inventories	-	-	1,166	1,166
Restricted for:				
Building fund	-	97,092	-	97,092
Committed for:				
Housing incentives	16,207	-	-	16,207
Assigned for:				
Building fund	-	86,214	-	86,214
Food services	-	-	44,357	44,357
Unassigned	1,145,727	-	-	1,145,727
Total fund balances	1,161,934	183,306	45,523	1,390,763
Total liabilities, deferred inflows of resources, and fund balances	$ 1,250,440	$ 216,929	$ 45,523	$ 1,512,892

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 1,083,424	$ 254,325	$ 41,502	$ 1,379,251
Taxes receivable	41,503	2,794	-	44,297
Intergovernmental receivables	175,814	1,911	22	177,747
Inventories	-	-	1,166	1,166
Total assets	$ 1,300,741	$ 259,030	$ 42,690	$ 1,602,461
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 6,356	$ 14,671	$ -	$ 21,027
Accrued liabilities	45,938	-	-	45,938
Total liabilities	52,294	14,671	-	66,965
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	41,503	2,794	-	44,297
Fund balances				
Nonspendable:				
Inventories	-	-	1,166	1,166
Restricted for:				
Building fund	-	155,351	-	155,351
Committed for:				
Housing incentives	12,177	-	-	12,177
Assigned for:				
Building fund	-	86,214	-	86,214
Food services	-	-	41,524	41,524
Unassigned	1,194,767	-	-	1,194,767
Total fund balances	1,206,944	241,565	42,690	1,491,199
Total liabilities, deferred inflows of resources, and fund balances	$ 1,300,741	$ 259,030	$ 42,690	$ 1,602,461

Total fund balances for governmental funds		$ 1,390,763
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	$ 4,254,815	
Less accumulated depreciation	(1,597,331)	
Net capital assets		2,657,484
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds		45,499
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (57,540)	
Deferred outflows of resources	594,965	
Net deferred inflows and outflows		537,425
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at June 30, 2016 are:		
Net pension liability	$ (3,207,804)	
Capital lease payable	(6,688)	
Tax-exempt note payable	(503,974)	
Housing incentives payable	(8,100)	
Compensated absences	(48,745)	
Total long-term liabilities		(3,775,311)
Total net position of governmental activities		$ 855,860

Total fund balances for governmental funds		$ 1,491,199
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	$ 4,140,152	
Less accumulated depreciation	(1,471,488)	
Net capital assets		2,668,664
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds		44,297
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred inflows of resources	$ (306,416)	
Deferred outflows of resources	222,510	
Net deferred inflows and outflows		(83,906)
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of net position.		
Balances at June 30, 2015 are:		
Net pension liability	$ (2,565,664)	
Capital lease payable	(10,336)	
Tax-exempt note payable	(556,556)	
Housing incentives payable	(5,089)	
Compensated absences	(50,260)	
Total long-term liabilities		(3,187,905)
Total net position of governmental activities		$ 932,349

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 683,866	$ 45,701	$ 77,064	$ 806,631
County sources	339,882	-	-	339,882
State sources	2,102,760	-	-	2,102,760
Federal sources	94,430	-	45,231	139,661
Other sources	521	-	-	521
Total revenues	3,221,459	45,701	122,295	3,389,455
Expenditures				
Current				
Regular instruction	1,935,290	-	-	1,935,290
Federal programs	89,944	-	-	89,944
Vocational education	78,241	-	-	78,241
District wide services	84,128	-	-	84,128
Administration	271,856	-	-	271,856
Operations and maintenance	136,845	58,403	-	195,248
Student transportation	231,700	-	-	231,700
Student activities	137,084	-	-	137,084
Community services	28,478	-	-	28,478
Food services	83,650	-	84,462	168,112
Capital outlay	133,626	45,557	-	179,183
Debt service				
Principal	56,230	-	-	56,230
Interest	34,397	-	-	34,397
Total expenditures	3,301,469	103,960	84,462	3,489,891
Excess (deficiency) of revenues over expenditures	(80,010)	(58,259)	37,833	(100,436)
Other financing sources (uses)				
Transfers in	35,000	-	-	35,000
Transfers out	-	-	(35,000)	(35,000)
Total other financing sources (uses)	35,000	-	(35,000)	-
Net change in fund balances	(45,010)	(58,259)	2,833	(100,436)
Fund balance - Beginning	1,206,944	241,565	42,690	1,491,199
Fund balance - Ending	$ 1,161,934	$ 183,306	$ 45,523	$ 1,390,763

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 679,961	$ 40,376	$ 73,086	$ 793,423
County sources	368,434	519	-	368,953
State sources	2,234,879	-	-	2,234,879
Federal sources	205,763	-	57,313	263,076
Other sources	130	-	-	130
Total revenues	3,489,167	40,895	130,399	3,660,461
Expenditures				
Current				
Regular instruction	1,825,697	-	-	1,825,697
Federal programs	111,329	-	-	111,329
Vocational education	101,827	-	-	101,827
District wide services	63,422	-	-	63,422
Administration	253,880	-	-	253,880
Operations and maintenance	523,913	45,545	-	569,458
Student transportation	177,021	-	-	177,021
Student activities	133,980	-	-	133,980
Community services	29,136	-	-	29,136
Food services	77,972	-	102,481	180,453
Capital outlay	104,454	24,136	-	128,590
Debt service				
Principal	54,495	-	-	54,495
Interest	36,132	-	-	36,132
Total expenditures	3,493,258	69,681	102,481	3,665,420
Excess (deficiency) of revenues over expenditures	(4,091)	(28,786)	27,918	(4,959)
Other financing sources (uses)				
Transfers in	-	100,000	-	100,000
Transfers out	(100,000)	-	-	(100,000)
Total other financing sources (uses)	(100,000)	100,000	-	-
Net change in fund balances	(104,091)	71,214	27,918	(4,959)
Fund balance - Beginning	1,311,035	170,351	14,772	1,496,158
Fund balance - Ending	$ 1,206,944	$ 241,565	$ 42,690	$ 1,491,199

Net change in fund balances - total governmental funds		$ (100,436)
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.		
Current year capital outlay	$ 179,183	
Current year depreciation expense	(183,109)	
		(3,926)
The net effect of various transactions involving capital assets (i.e. sales and disposals) is to decrease net position.		(7,254)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		56,230
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		(20,809)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Net increase in housing incentives payable	$ (3,011)	
Net decrease in compensated absences	1,515	
		(1,496)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		1,202
Change in Net Position of Governmental Activities		$ (76,489)

Net change in fund balances - total governmental funds		$ (4,959)
The change in net position reported for governmental activities in the statement of activities is different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.		
Current year capital outlay	$ 128,590	
Current year depreciation expense	(170,063)	
		(41,473)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		54,495
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.		35,908
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Net decrease in housing incentives payable	$ 989	
Net decrease in compensated absences	16,554	
		17,543
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		18,618
Change in Net Position of Governmental Activities		$ 80,132

	Agency Fund
Assets	
Cash	$ 80,155
Liabilities	
Due to student activities groups	$ 80,155

	Agency Fund
Assets	
Cash	$ 82,000
Liabilities	
Due to student activities groups	$ 82,000

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Center-Stanton Public School District No. 1, Center, North Dakota (School District), have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The accompanying financial statements present the activities of the School District. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

Based on these criteria, there are no component units to be included within the Center-Stanton Public School District No. 1 as a reporting entity.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the primary government, Center-Stanton Public School District No. 1. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a specific program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the School District's funds including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

General Fund – This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund – This is the School District's fund used for major capital asset projects.

The School District reports the following fiduciary fund type:

Agency Fund – This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the student activity funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School District funds certain programs by a combination of specific cost-reimbursements grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at fair value.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	70 years
Site improvements	10 years
Fixtures	5 years
Vehicles	10 years
Equipment	7-10 years

Compensated Absences

Vested or accumulated sick leave and personal leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all certified employees and administrators upon termination of 1 or more years. The School District's personnel policy requires a payout of $30 for each day up to a maximum of 80 days for accumulated sick leave for certified employees and administrators. During the year ended June 30, 2016 the maximum for sick leave days to be paid out increased to 100 days. Ancillary employees are paid at a rate of $20 for each day up to a maximum of 20 days for accumulated sick leave. Accumulated personal leave is paid out at the substitute rate of pay up to a maximum of 6 days.

Housing Incentives Payable

Housing incentives payable are reported in the government-wide statement of net position. Teachers who work for the School District will receive the incentive if they are eligible after five years. The payable is based on management's estimate of the teachers who will remain employed with the School District and earn the incentive.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are recognized in the current period since the amounts are not material. Issuance costs are also recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pensions

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

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net pension is disclosed in Note 13 and the additional disclosures required by the standards included in Note 9.

Deferred Outflows and Inflows of Resources

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

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

Fund Balance Classification Policies and Procedures

In accordance with Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation. Unrestricted net position consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Note 2 - Deposits and Investments

In accordance with North Dakota Statutes, the School District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At June 30, 2016, the bank balance of deposits was $1,577,366 and the carrying amount of deposits was $1,393,163, which consisted of School District deposits of $1,313,008 and agency fund deposits of $80,155. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name and an irrevocable standby letter of credit in the government's name.

At June 30, 2015, the bank balance of deposits was $1,620,485 and the carrying amount of deposits was $1,461,251, which consisted of School District deposits of $1,379,251 and agency fund deposits of $82,000. Of the bank balance, $250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name and an irrevocable standby letter of credit in the government's name.

Credit Risk

The School District may invest idle funds as authorized in North Dakota Statutes, as follows:

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

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

3. Certificates of deposit fully insured by the federal deposit insurance corporation.

4. Obligations of the State.

At June 30, 2016 and 2015, the School District held certificates of deposit in the amount of $275,045 and $270,431, respectively, all of which are considered deposits. The certificates of deposit mature in less than one year.

Concentration of Credit Risk

The School District does not have a limit on the amount the School District may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The School District does not have a written investment policy covering interest rate risk.

Note 3 - Taxes Receivable

Taxes receivable represent the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 4 - Intergovernmental Receivables

Intergovernmental receivables consist of reimbursements due for expense in the operation of various school programs. This amount consists of a mix of state and federal dollars.

Note 5 - Inventories

Inventories consist of food and supplies for the food service fund. Reported inventories are equally offset by a fund balance reserve which indicates they do not constitute “available spendable resources” even though they are a component of net current assets.

Note 6 - Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Construction in progress	-	15,356	-	15,356
Total capital assets not not being depreciated	376,000	15,356	-	391,356
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	373,302	52,737	-	426,039
Fixtures	123,305	-	-	123,305
Vehicles	539,380	104,912	64,520	579,772
Equipment	228,165	6,178	-	234,343
Total capital assets being depreciated	3,764,152	163,827	64,520	3,863,459
Less accumulated depreciation for				
Buildings	1,028,554	35,714	-	1,064,268
Site improvements	33,198	41,433	-	74,631
Fixtures	32,565	24,661	-	57,226
Vehicles	270,198	50,921	57,266	263,853
Equipment	106,973	30,380	-	137,353
Total accumulated depreciation	1,471,488	183,109	57,266	1,597,331
Total capital assets being depreciated, net	2,292,664	(19,282)	7,254	2,266,128
Governmental type activity capital assets, net	$ 2,668,664	$ (3,926)	$ 7,254	$ 2,657,484

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2016:

	Amounts
Operations and maintenance	$ 128,380
Student transportation	50,921
Food services	3,808
Total depreciation expense	$ 183,109

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated				
Land	$ 376,000	$ -	$ -	$ 376,000
Construction in progress	262,907	-	262,907	-
Total capital assets not not being depreciated	638,907	-	262,907	376,000
Capital assets being depreciated				
Buildings	2,500,000	-	-	2,500,000
Site improvements	-	373,302	-	373,302
Fixtures	123,305	-	-	123,305
Vehicles	535,080	4,300	-	539,380
Equipment	214,270	13,895	-	228,165
Total capital assets being depreciated	3,372,655	391,497	-	3,764,152
Less accumulated depreciation for				
Buildings	992,840	35,714	-	1,028,554
Site improvements	-	33,198	-	33,198
Fixtures	7,904	24,661	-	32,565
Vehicles	223,232	46,966	-	270,198
Equipment	77,449	29,524	-	106,973
Total accumulated depreciation	1,301,425	170,063	-	1,471,488
Total capital assets being depreciated, net	2,071,230	221,434	-	2,292,664
Governmental type activity capital assets, net	$ 2,710,137	$ 221,434	$ 262,907	$ 2,668,664

Depreciation expense was charged to functions/programs of the School District as follows for the year ended June 30, 2015:

	Amounts
Operations and maintenance	$ 119,107
Student transportation	47,148
Food services	3,808
Total depreciation expense	$ 170,063

Note 7 - Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
Capital lease payable	$ 10,336	$ -	$ 3,648	$ 6,688	$ 3,648
Tax-exempt note payable	556,556	-	52,582	503,974	54,377
Housing incentives payable	5,089	3,011	-	8,100	-
Compensated absences	50,260	26,701	28,216	48,745	5,000
Total	$ 622,241	$ 29,712	$ 84,446	$ 567,507	$ 63,025

The following is a summary of long-term liability activity for the year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Capital lease payable	$ 13,984	$ -	$ 3,648	$ 10,336	$ 3,648
Tax-exempt note payable	607,403	-	50,847	556,556	50,847
Housing incentives payable	6,078	1,015	2,004	5,089	-
Compensated absences	66,814	5,488	22,042	50,260	5,000
Total	$ 694,279	$ 6,503	$ 78,541	$ 622,241	$ 59,495

The long-term liabilities are liquated by the general fund.

Capital Leases Payable

The School District has entered into a lease agreement as lessee for office equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The lease is interest-free, due in monthly payments of $304 and matures May 1, 2018. The following are the leased assets under capital leases as of June 30, 2016:

Asset	Cost	Accumulated Depreciation	Carrying Value
Telephone and paging system	$ 26,206	$ 16,160	$ 10,046

The future minimum lease obligations at June 30, 2016 are as follows:

Year ending June 30	Principal
2017	$ 3,648
2018	3,040
Total	$ 6,688

Tax-Exempt Note Payable

A tax-exempt note payable was entered into for financing energy conservation measures. The District entered into this note payable during February 2014. The note is due in annual installments of $86,980 maturing in February 2030. The total amount that can be drawn on the tax-exempt note is $1,058,909; however, the District as of June 30, 2016 and 2015 had an outstanding balance as follows:

Purpose	Interest Rates	2016	2015
Energy Conservation Measures	3.36%	$ 503,974	$ 556,556

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

Year ending June 30	Principal	Interest
2017	$ 54,377	$ 32,603
2018	56,232	30,748
2019	58,151	28,829
2020	60,135	26,845
2021	62,187	24,793
2022-2025	212,892	77,215
Total	$ 503,974	$ 221,033

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

Housing Incentives Payable

The District has a housing incentive program for teachers in which they set aside $2,000 per year for five years and eligible teachers will receive the incentive at the end of the five year period. Teachers are eligible to receive the full incentive of $10,000 plus accrued interest if at the end of the five years, the teacher owns his or her home in the District. Teachers can also be eligible for half of the incentive if they live in the District and rent housing or if they are not living in the District but send his/her child to the School District for five years. If the teacher does not meet the eligibility requirements at the end of the five year period, the money that was contributed to the housing incentive fund and the interest will not be paid out and will become available for other spending purposes of the District.

The annual requirements to amortize the housing incentives payable are as follows:

Year ending June 30	Principal
2017	$ -
2018	-
2019	5,100
2020	2,000
2021	1,000
Total	$ 8,100

Note 8 - Risk Management

The Center-Stanton Public School District No. 1 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and automobile; and $43,600 for public assets.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of $1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the School District with a blanket fidelity bond coverage in the amount of $1,100,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health, dental and vision insurance. Employees who elect health insurance coverage through the School District also receive life insurance coverage.

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

Note 9 - Pension Plans

North Dakota Teachers Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2016 and 2015, the District reported a liability of $3,012,200 and $2,382,445, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2015, the District's proportion was 0.230316 percent, which was an increase of 0.002945 percent from its proportion of 0.227371 percent as of July 1, 2014.

For the year ended June 30, 2016 and 2015, the District recognized pension expense of $204,696 and $144,821, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016		June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,739	$ -	$ 18,217	$ -
Changes of assumptions	338,218	-	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	33,967	-	270,651
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	29,253	-	-	-
District's contributions to TFFR subsequent to the measurement date	185,346	-	180,568	-
Total	$ 572,556	$ 33,967	$ 198,785	$ 270,651

$185,346 and $180,568 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and 2016, respectively.

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

Years Ended June 30,	Pension Expense Amount
2017	$ 39,422
2018	39,422
2019	39,422
2020	107,961
2021	65,048
Thereafter	61,968

Actuarial Assumptions

The total pension liability in the July 1, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2016	June 30, 2015
Inflation	2.75%	3.00%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity	4.50% to 14.75%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses	8.00%, net of investment expenses
Cost-of-living adjustments	None	None

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

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

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

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

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

	June 30, 2016		June 30, 2015	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Global Equities	57%	7.50%	57%	7.53%
Global Fixed Income	22%	1.30%	22%	1.40%
Global Real Assets	20%	5.40%	20%	5.38%
Cash Equivalents	1%	0.00%	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% and 8% as of June 30, 2015 and 2014, respectively. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015 and 2014, Actuarial Valuation Report, respectively. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015 and 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and 2014, respectively.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent at June 30, 2015 and 8 percent at June 30, 2014, which is a decrease of 0.25 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 or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	6.75%	7.75%	8.75%
District's proportionate share of the TFFR net pension liability	$ 3,980,764	$ 3,012,200	$ 2,204,437

	June 30, 2015		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
TFFR discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TFFR net pension liability	$ 3,216,743	$ 2,382,445	$ 1,680,776

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees' Retirement System

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rulel of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2016 and 2015, the District reported a liability of $195,604 and $183,219, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the District's proportion was 0.028766 percent, a decrease of 0.0001 from its proportion of 0.028866 percent measured as of June 30, 2014.

For the year ended June 30, 2016 and 2015, the District recognized pension expense of $18,240 and $18,129, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016		June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,675	$ -	$ 5,940	$ -
Changes of assumptions	-	17,427	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	4,129	-	35,765
Changes in proportion and differences between employer contributions and District's proportionate share of contributions	-	2,017	-	-
District's contributions to PERS subsequent to the measurement date	16,734	-	17,785	-
Total	$ 22,409	$ 23,573	$ 23,725	$ 35,765

$16,734 and $17,785 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and 2016, respectively.

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

Years Ended June 30,	Pension Expense Amount
2017	$ (5,702)
2018	(5,702)
2019	(5,702)
2020	2,830
2021	(3,622)
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	June 30, 2016	June 30, 2015
Inflation	3.50%	3.50%
Salary Increases	4.50% per annum	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses	8.00%, net of investment expenses
Cost-of-living adjustments	None	None

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

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

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

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

	June 30, 2016		June 30, 2015	
Asset Class	Target Allocations	Long-Term Expected Real Rate of Return	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%	31%	6.90%
International Equity	21%	7.55%	21%	7.55%
Private Equity	5%	11.30%	5%	11.30%
Domestic Fixed Income	17%	1.52%	17%	1.55%
International Fixed Income	5%	0.45%	5%	0.90%
Global Real Assets	20%	5.38%	20%	5.38%
Cash Equivalents	1%	0.00%	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015 and 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015 and 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and 2014.

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

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

	June 30, 2016		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	7.00%	8.00%	9.00%
District's proportionate share of the PERS net pension liability	$ 299,949	$ 195,604	$ 110,231

	June 30, 2015		
	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
PERS discount rate	7.00%	8.00%	9.00%
District's proportionate share of the PERS net pension liability	$ 282,577	$ 183,219	$ 100,141

Pension Plan Fiduciary Net Position

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

Note 10 - Lease Commitments

The School District entered into various operating leases for office equipment during the year ended June 30, 2016. Rent expense totaled $19,851 and $18,068 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments under the operating leases at June 30, 2016 are as follows:

Year ending June 30	Principal
2017	$ 7,970
2018	6,360
Total	$ 14,330

Note 11 - Commitments and Contingencies

Construction Commitments

At June 30, 2016, the School District had contractual obligations related to new carpet and drainage issues. The School District had paid $15,356 as of year-end and only had approximately $1,750 of the commitment outstanding as of June 30, 2016.

Note 12 - Transfers

The following shows the transfers in and out for the year ended June 30, 2016:

Fund	Transfer In	Transfer Out	
General fund	$ 35,000	$ -	Budgeted transfer
Non-major fund	-	35,000	Budgeted transfer
Total	$ 35,000	$ 35,000	

The following shows the transfers in and out for the year ended June 30, 2015:

Fund	Transfer In	Transfer Out	
General fund	$ -	$ 100,000	Budgeted transfer
Building Fund	100,000	-	Budgeted transfer
Total	$ 100,000	$ 100,000	

Note 13 - Expenditures in Excess of Appropriations

The School District exceeded the budget for expenditures in the General Fund by $48,030 and $43,684 in the years ended June 30, 2016 and 2015, respectively. The expenditures were covered by significant excess revenues from 2015.

Note 14 - Restatement of Beginning Net Position

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date. The adjustments to the beginning balance of net position is as follows:

Net Position - June 30, 2014, as previously reported	$ 3,537,695
Net Pension Liability at June 30, 2014	(2,843,854)
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	158,376
Net Position - July 1, 2014, as restated	$ 852,217

Required Supplementary Information
June 30, 2016 and 2015

Center-Stanton Public School District No. 1

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 679,460	$ 685,133	$ 683,866	$ (1,267)
County sources	353,651	316,500	339,882	23,382
State sources	2,234,879	2,115,678	2,102,760	(12,918)
Federal sources	197,725	104,893	94,430	(10,463)
Other sources	130	45,000	521	(44,479)
Total revenues	3,465,845	3,267,204	3,221,459	(45,745)
Expenditures				
Current				
Regular instruction	1,726,974	1,870,117	1,935,290	(65,173)
Federal programs	111,328	100,693	89,944	10,749
Vocational education	101,828	80,804	78,241	2,563
District wide services	115,052	119,241	84,128	35,113
Administration	253,878	267,090	271,856	(4,766)
Operations & maintenance	718,994	378,006	136,845	241,161
Student transportation	177,021	184,358	231,700	(47,342)
Student activities	134,178	143,993	137,084	6,909
Community services	29,136	29,775	28,478	1,297
Food services	77,973	79,362	83,650	(4,288)
Capital outlay	-	-	133,626	(133,626)
Debt service				
Principal	-	-	56,230	(56,230)
Interest	-	-	34,397	(34,397)
Total expenditures	3,446,362	3,253,439	3,301,469	(48,030)
Excess (deficiency) of revenues over expenditures	19,483	13,765	(80,010)	(93,775)
Other financing sources (uses)				
Transfers in	100,000	45,000	35,000	(10,000)
Total other financing sources	100,000	45,000	35,000	(10,000)
Net change in fund balances	119,483	58,765	(45,010)	(103,775)
Fund balance - July 1	1,206,944	1,206,944	1,206,944	-
Fund balance - June 30	$ 1,326,427	$ 1,265,709	$ 1,161,934	$ (103,775)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 627,388	$ 636,148	$ 679,961	$ 43,813
County sources	330,973	287,000	368,434	81,434
State sources	2,048,175	2,187,799	2,234,879	47,080
Federal sources	121,412	125,283	205,763	80,480
Other sources	37,424	35,000	130	(34,870)
Total revenues	3,165,372	3,271,230	3,489,167	217,937
Expenditures				
Current				
Regular instruction	1,584,991	1,768,603	1,825,697	(57,094)
Federal programs	118,241	121,783	111,329	10,454
Vocational education	101,097	105,474	101,827	3,647
District wide services	115,767	120,233	63,422	56,811
Administration	270,150	263,321	253,880	9,441
Operations & maintenance	369,907	660,194	523,913	136,281
Student transportation	264,256	177,593	177,021	572
Student activities	127,459	134,305	133,980	325
Community services	26,760	27,265	29,136	(1,871)
Food services	71,096	70,803	77,972	(7,169)
Capital outlay	-	-	104,454	(104,454)
Debt service				
Principal	-	-	54,495	(54,495)
Interest	-	-	36,132	(36,132)
Total expenditures	3,049,724	3,449,574	3,493,258	(43,684)
Excess (deficiency) of revenues over expenditures	115,648	(178,344)	(4,091)	174,253
Other financing sources (uses)				
Transfers out	(51,250)	(35,000)	(100,000)	(65,000)
Total other financing uses	(51,250)	(35,000)	(100,000)	(65,000)
Net change in fund balances	64,398	(213,344)	(104,091)	109,253
Fund balance - July 1	1,311,035	1,311,035	1,311,035	-
Fund balance - June 30	$ 1,375,433	$ 1,097,691	$ 1,206,944	$ 109,253

Note 1 – Summary of Significant Budget Policies

Based upon available financial information and requests by the governing board, the Business Manager and Superintendent work together to prepare the School District budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

School District taxes must be levied by the governing board on or before August 15. The taxes levied must be certified to the county auditor immediately following the action of the governing body, or within ten days thereafter (August 25). The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

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

Pension Plan	Measurement	Employer's	Employer's	Employer's	Employer's	Plan Fiduciary
PERS	6/30/2014	0.028866%	$ 183,219	$ 243,165	75.3%	77.7%
PERS	6/30/2015	0.028766%	$ 195,604	$ 249,791	78.3%	77.2%
TFFR	6/30/2014	0.227371%	$ 2,382,445	$ 1,318,874	180.6%	66.6%
TFFR	6/30/2015	0.230316%	$ 3,012,200	$ 1,416,217	212.7%	62.1%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year	Statutorily	Contributions in	Contribution	Covered-	Contributions as
PERS	6/30/2015	$ 17,785	$ 17,785	$ -	$ 249,791	7.12%
PERS	6/30/2016	$ 16,734	$ 16,734	$ -	$ 235,025	7.12%
TFFR	6/30/2015	$ 180,568	$ 180,568	$ -	$ 1,416,217	12.75%
TFFR	6/30/2016	$ 185,346	$ 185,346	$ -	$ 1,453,697	12.75%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

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

Since the last actuarial valuation as of July 30, 2015, the following have been changed:

- Changes of benefit terms: None
- Changes of assumptions: For NDPERS, amounts reported in 2016 reflect the actuarial assumptions 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.
- Changes of assumptions: For NDTFFR, amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study dated April 30, 2015.
    - Investment return assumption lowered from 8% to 7.75%.
    - Inflation assumption lowered form 3% to 2.75%.
    - 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.

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with *Government Auditing Standards*

School Board
Center-Stanton Public School District No. 1
Center, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Center-Stanton Public School District No. 1, Center, North Dakota as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 17, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Center-Stanton Public School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center-Stanton Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying auditor's comments, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying auditor's comments as items 2016-A, 2016-B and 2016-C to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Response to Findings
Center-Stanton Public School District No. 1's responses to the findings identified in our audit are described in the School District's Corrective Action Plan. Center-Stanton Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Bismarck, North Dakota
January 17, 2017

Current Audit Findings and Recommendations – Financial Statements

2016-A - Segregation of Duties – Material Weakness

Condition – The District has a lack of segregation of duties in certain areas due to a limited staff.

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect - Inadequate segregation of duties could adversely affect the District's ability to detect potential material misstatements to the financial statements in a timely period.

Cause - One employee is responsible for collecting monies, depositing monies, issuing checks, sending checks to vendors, recording receipts and disbursements in journals, maintaining the general ledger and preparing financial records.

Recommendation - While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

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

2016-B - Recording of Transactions – Material Weakness

Condition - We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Criteria - A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts.

Effect - Inadequate internal controls over recording of transactions affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause - The transactions were outside of the typical day to day transactions of the School District and were not recorded in accordance with generally accepted accounting principles.

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. We recommend you research transactions that are outside of the scope of the typical day to day accounting transactions to ensure all transactions are recorded correctly.

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

2016-C - Financial Statement Preparation – Material Weakness

Condition - The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria - Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Effect - Inadequate controls over financial reporting of the District result in the more than remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

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

Recommendation - While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

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