

AUDIT REPORT

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

EXAMINATION FOR THE YEAR ENDED
JUNE 30, 2016

EMIL R. SCHOENFISH
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DEVILS LAKE, NORTH DAKOTA 58301

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Page</u>
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	1-2
Schedule of Current Findings and Responses	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	16
Statement of Fiduciary Net Position	17
Notes to the Financial Statements	18-29

Required Supplementary Information:

Budgetary Comparison Schedule-General Fund	30
Schedule of Employer's Share of Net Pension Liability-TFFR	31
Schedule of Employer Contributions-TFFR	32
Notes to the Required Supplementary Information	33

Supplementary Information:

Schedule of Fund Activity Arising From Cash Transactions	34
Schedule of Expenditures of Federal Awards	35
School District Officials	36

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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
Edmore Public School District No. 2
Edmore, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Edmore Public School District No. 2, Edmore, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Edmore Public School District's basic financial statements and have issued our report thereon dated July 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edmore Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edmore Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Edmore Public School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 16-1 and 16-2 that we consider to be significant deficiencies.

Compliance and Other Matters

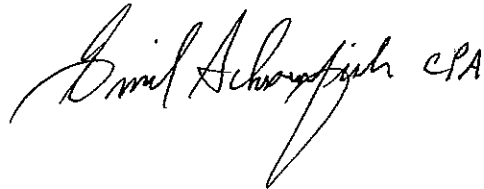
As part of obtaining reasonable assurance about whether Edmore Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

Response to the Findings

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

Purpose of this Report

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

A handwritten signature in black ink, reading "Emil Schreyer CPA". The signature is written in a cursive style with a large, sweeping flourish at the end.

July 20, 2016

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016

16-1 Condition: The Edmore Public School District No. 2, Edmore, North Dakota has one business manager responsible for most accounting functions. The business manager collects monies, issues receipts, deposits monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial statements. The degree of internal control is limited.

Criteria: Internal control should be accomplished through proper separation of duties.

Effect: Internal control is limited.

Recommendation: Due to the size of the School District it is not feasible to obtain proper separation of duties and no action is practical.

Response: We concur with the recommendation

16-2 Condition: A number of school district general, food, and activity fund payments were observed without invoice and were not properly cancelled.

Criteria: All school district payments should have a cancelled invoice filed in numerical sequence on file.

Effect: Unstapled invoices, other payment documentation, and check stubs were not filed numerically, cancelled, or available for all payments.

Recommendation: We recommend that a procedure be implemented to insure that a numerically filed cancelled invoice be retained on file for all school district payments.

Response: We concur with the recommendation,

July 20, 2016

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School Board
Edmore Public School District No. 2
Edmore, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Edmore Public School District No. 2, Edmore, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Edmore Public School District No. 2, Edmore, North Dakota, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension information on pages 6-10 and 30-33 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 of 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.

Report on Summarized Comparative Information

We have previously audited the Edmore Public School District's fiscal year end June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edmore Public School District's basic financial statements. The supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 20, 2016 on our consideration of Edmore Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Edmore Public School District's internal control over financial reporting and compliance.



July 20, 2016

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of Edmore Public School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements, which can be found on pages 11-17 of this report.

Financial Highlights

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

- Net position of the Edmore Public School increased (decreased) \$420,721 as a result of the current years operations. This compares to an increase (decrease) of \$438,348 for the prior year.
- Governmental net position as of the end of the fiscal year totaled \$1,057,946. Of this amount, \$(479,939) was unrestricted. For the prior year, governmental net assets totaled \$637,225 and of this amount \$(558,526) was unrestricted.
- Total revenues from all sources were \$2,263,419 compared to \$2,224,887 for the prior year.
- Total expenditures from all sources were \$1,842,698 compared to \$1,786,539 for the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$655,566, or 37% of total general expenditures. For the prior year, the unreserved fund balance for the general fund was \$569,918 or 31% of total general fund expenditures.
- The District's general fund had \$2,013,040 in total revenues and \$1,747,392 in total expenditures. There was a total of \$(180,000) from other financing sources. Overall, the general fund balance increased (decreased) by \$85,648 for the year ended June 30, 2016. For the prior year, the District's general fund had \$1,984,022 in total revenues and \$1,855,959 in total expenditures. There was a total of \$-0- from other financing sources. Overall, the general fund balance increased (decreased) by \$128,063 for the year ended June 30, 2015.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Edmore Public School District's basic financial statements. The Edmore Public School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Edmore Public School District's finances, in a manner similar to a private-sector business.

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

The *Statement of activities* presents information showing how the school's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the Edmore Public School District that are principally supported by taxes and intergovernmental revenues (government activities).

The governmental activities of the Edmore Public School District include regular instruction, special education, vocational education, technology services, library media services, district wide services, administration, school food services, buildings and grounds operations and maintenance, student transportation, co curricular activities, rental payments, capital outlay and debt services. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Edmore Public School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Edmore Public School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Edmore Public School District maintains 4 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, food service fund, special reserve, and building fund, all of which are considered to be major funds.

The Edmore Public School District adopts an annual appropriated budget for its general fund a budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Edmore Public School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-29 of this report.

Government-wide Financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Edmore Public School District, assets exceeded liabilities by \$1,057,946 at the close of the most recent fiscal year.

A large portion of the Edmore Public Schools District's net position \$1,138,507 reflects its investment in capital assets (e.g., land, buildings, and improvements, buildings and infrastructure, machinery and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Edmore Public School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Edmore Public School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Edmore Public School District's net position \$399,378 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$-479,939 may be used to meet the school's ongoing obligations to citizens and creditors.

The school's net position increased (decreased) by \$420,721 during the current fiscal year.

**Edmore Public School District Net Position
Governmental Activities**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and other assets	\$ 1,113,471	\$ 910,859	\$ 762,673
Capital assets	1,138,507	941,759	748,653
Deferred outflows	<u>303,578</u>	<u>97,592</u>	<u>68,404</u>
Total assets & deferred outflows	2,555,556	1,950,210	1,579,730
Long-term liabilities outstanding	1,480,911	1,182,405	1,380,853
Other liabilities	-0-	-0-	-0-
Deferred Inflows	<u>16,699</u>	<u>130,580</u>	<u>-0-</u>
Total liabilities & deferred inflows	1,497,610	1,312,985	1,380,853
Net Position:			
Net investment in capital assets	1,138,507	908,805	637,626
Restricted	399,378	286,946	271,766
Unrestricted	<u>-479,939</u>	<u>-558,526</u>	<u>-710,515</u>
Total Net Position	\$ 1,057,946	\$ 637,225	\$ 198,877

Governmental activities. Governmental activities increased (decreased) the Edmore Public School District's net position by \$420,721.

**Edmore Public School District's Changes in Net Position
As of June 30, 2016, 2015, and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 35,461	\$ 36,867	\$ 34,561
Operating Grants and Contributions	54,634	110,773	126,797
Capital Grants and Contributions	100,000	20,000	-0-
<u>General Revenues:</u>			
Property Taxes	998,060	974,877	843,090
State Aid - Unrestricted	992,191	1,032,741	952,951
Other Federal Sources - Unrestricted	3,986	5,427	3,029
Other	<u>79,087</u>	<u>44,202</u>	<u>28,495</u>
Total Revenues	<u>2,263,419</u>	<u>2,224,887</u>	<u>1,988,923</u>
Expenses			
Instruction	\$ 962,877	\$ 898,114	\$ 891,370
Support Services	768,428	791,248	774,035
Co-curricular Activities	67,387	58,838	68,827
Depreciation - Unallocated	<u>44,006</u>	<u>38,339</u>	<u>39,827</u>
Total Expenses	<u>1,842,698</u>	<u>1,786,539</u>	<u>1,774,059</u>
Net Change in Position	420,721	438,348	214,864
Prior Period Adjustment-GASB 68			(1,201,422)
Beginning Net Position	<u>637,225</u>	<u>198,877</u>	<u>1,185,435</u>
Ending Net Position	\$ 1,057,946	\$ 637,225	\$ 198,877

Financial Analysis of the Government's Funds

As noted earlier, the Edmore Public School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Edmore Public School District's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Edmore Public School Districts financing requirements. In particular, *unassigned* fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Edmore Public School District's governmental funds reported combined ending fund balances of \$1,054,944, an increase (decrease) of \$198,080 in comparison with the prior year.

The general fund is the chief operating fund of the Edmore Public School District. At the end of the current fiscal year, unassigned fund of the general fund was \$655,566 while total fund balance totaled \$655,566. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37% of the total general fund expenditures, while total fund balance represents 37% of that same amount.

The fund balance of the Edmore Public School District's general fund increased (decreased) by \$85,648 during the current fiscal year. The Edmore Public School District budgeted an anticipated increase (decrease) in fund balance of \$76,270.

General Fund Budgetary Highlights

During the year, revenues were greater than (less than) budgetary estimates by \$(110,077), expenditures were (greater than) less than budgetary estimates by \$119,455, other financing sources and uses were greater than (less than) budgetary estimates by \$-0-, and ending fund balance exceeded (was less than) budgetary estimates by \$9,378.

During the prior year, revenues were greater than (less than) budgetary estimates by \$(67,758), expenditures were (greater than) less than budgetary estimates by \$255,800, other financing sources and uses were greater than (less than) budgetary estimates by \$-0-, and ending fund balance exceeded (was less than) budgetary estimates by \$188,342.

Capital Assets

As of June 30, 2016, the Edmore Public School District had \$1,138,507 invested in capital assets.

Edmore Public School District's Capital Assets (net of depreciation)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Government activities		
Buildings and Improvements	\$ 707,243	\$ 460,148
Equipment	199,102	208,731
Vehicles	<u>232,162</u>	<u>272,880</u>
Total	\$ 1,138,507	\$ 941,759

Additional information on the Edmore Public School District's capital assets can be found in note 4 on page 23 of this report.

Long-Term Debt. At the end of the current fiscal year, the Edmore Public School District had debt outstanding of \$1,480,911.

Edmore Public School District Outstanding Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Governmental Activities		
Contracts Payable	\$ -0-	\$ 32,954
Net Pension Liability	\$1,480,911	\$1,149,451

Additional information on the Edmore Public School District's Long Term Debt can be found in note 5 on page 23 of this report.

For The Future

The Edmore Public School District has benefited from an adequate property tax base. The School District has also benefited from continued funding from the State of North Dakota. These elements have enabled the District to meet many of its staffing and building maintenance needs. The Edmore Public School District, not unlike many rural districts in North Dakota, is experiencing declining enrollment. With sharing of services and other cost efficiencies the District has maintained a financially stable condition.

Requests for Information

This financial report is designed to provide a general overview of the Edmore Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager, PO Box 188, Edmore Public School District, Edmore, ND 58330.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

STATEMENT OF NET POSITION
JUNE 30, 2016
(2015 column for comparative purposes only)

	<u>Primary Government</u> <u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES:		
Cash and Cash Equivalents	\$ 756,043	\$ 531,800
Investments	274,173	269,345
Taxes Receivable	58,527	53,995
Due from Other Governments	24,728	55,719
Capital Assets:		
Land, Improvements and Construction in Progress		
Other Capital Assets, Net of Depreciation	1,138,507	941,759
Deferred Outflow of Resources-TFFR	303,578	97,592
	-----	-----
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 2,555,556	\$ 1,950,210
	=====	=====
LIABILITIES AND DEFERRED INFLOW OF RESOURCES:		
Accounts Payable	\$ -0-	\$ -0-
Noncurrent Liabilities:		
Due in Less than One Year	-0-	32,954
Due in More than One Year	-0-	-0-
Net Pension Liability	1,480,911	1,149,451
Deferred Inflow of Resources-TFFR	16,699	130,580
	-----	-----
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	1,497,610	1,312,985
	-----	-----
NET POSITION:		
Net Investment in Capital Assets	1,138,507	908,805
Restricted for:		
Food Service	81,081	66,294
Special Reserve	71,547	45,747
Capital Outlay	246,750	174,905
Unrestricted (Deficit)	(479,939)	(558,526)
	-----	-----
TOTAL NET POSITION	1,057,946	637,225
	-----	-----
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 2,555,556	\$ 1,950,210
	=====	=====

The notes to the financial statements are an integral part of this statement.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(2015 column for comparative purposes only)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES 2016	2015
Primary Government:						
Governmental Activities:						
Instruction	\$ (962,877)		\$ 41,908		\$ (920,969)	\$ (798,319)
Support Services	(768,428)	\$ 35,461	12,726	100,000	(620,241)	(723,403)
Co-curricular Activities	(67,387)				(67,387)	(58,838)
Depreciation-unallocated	(44,006)				(44,006)	(38,339)
Total Primary Government	<u>(1,842,698)</u>	<u>35,461</u>	<u>54,634</u>	<u>100,000</u>	<u>(1,652,603)</u>	<u>(1,618,899)</u>
			General Revenues:			
			Property Taxes		998,060	974,877
			Revenue from State Sources:			
			State Foundation Aid		992,191	1,032,741
			Revenue from Federal Sources		3,986	5,427
			Other General Revenues		79,087	44,202
			Total General Revenues		<u>2,073,324</u>	<u>2,057,247</u>
			Change in Net Position		420,721	438,348
			Net Position - Beginning		637,225	198,877
			NET POSITION - ENDING		<u>\$ 1,057,946</u>	<u>\$ 637,225</u>

The notes to the financial statements are an integral part of this statement.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

(2015 column for comparative purposes only)

<u>ASSETS:</u>	GENERAL FUND	FOOD SERVICE FUND	SPECIAL RESERVE FUND	BUILDING FUND	TOTAL GOVERNMENTAL FUNDS	
					2016	2015
Cash and Cash Equivalents	\$ 356,665	\$ 81,081	\$ 71,547	\$ 246,750	\$ 756,043	\$ 531,800
Investments	274,173				274,173	269,345
Taxes Receivable	46,684		1,545	10,298	58,527	53,995
Due From Other Governments	24,728				24,728	55,719
TOTAL ASSETS	<u>\$ 702,250</u>	<u>\$ 81,081</u>	<u>\$ 73,092</u>	<u>\$ 257,048</u>	<u>\$ 1,113,471</u>	<u>\$ 910,859</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ -0-				\$ -0-	\$ -0-
<u>Deferred Inflows of Resources:</u>						
Uncollected Taxes	46,684		\$ 1,545	\$ 10,298	58,527	53,995
Total Liabilities and Deferred Inflow of Resources	<u>46,684</u>	<u>-0-</u>	<u>1,545</u>	<u>10,298</u>	<u>58,527</u>	<u>53,995</u>
<u>Fund Balances:</u>						
Fund Balances:						
Restricted for Food Service		81,081			81,081	66,294
Restricted for Special Reserve			71,547		71,547	45,747
Restricted for Capital Projects				246,750	246,750	174,905
Unassigned	655,566				655,566	569,918
Total Fund Balances	<u>655,566</u>	<u>81,081</u>	<u>71,547</u>	<u>246,750</u>	<u>1,054,944</u>	<u>856,864</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 702,250</u>	<u>\$ 81,081</u>	<u>\$ 73,092</u>	<u>\$ 257,048</u>	<u>\$ 1,113,471</u>	<u>\$ 910,859</u>

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

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE , NORTH DAKOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(2015 column for comparative purposes only)

	<u>2016</u>	<u>2015</u>
Total Fund Balances - Governmental Funds	\$ 1,054,944	\$ 856,864
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,138,507	941,759
Assets such as Deferred Outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	303,578	97,592
Liabilities such as Deferred Inflows are not due and payable in the current period and therefore are not reported in the funds.	(16,699)	(130,580)
Net pension liability for the Teachers Fund for Retirement are not due and payable in the current period and therefore are not reported in the funds.	(1,480,911)	(1,149,451)
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	-0-	(32,954)
Assets such as taxes receivable and special assessment receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	58,527	53,995
Net Position - Governmental Funds	<u>\$ 1,057,946</u>	<u>\$ 637,225</u>

The notes to the financial statements are an integral part of this statement.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(2015 column for comparative purposes only)

REVENUES	GENERAL	FOOD	SPECIAL	BUILDING	TOTAL FUNDS	
	FUND	SERVICE	RESERVE	FUND	2016	2015
Local Sources:						
Property Taxes	\$ 795,928		\$ 25,772	\$ 171,828	\$ 993,528	\$ 969,934
Charges for Services		\$ 35,461			35,461	36,867
Other Revenue	76,302		28	32	76,362	44,012
State Sources:						
Grants-In-Aid: Unrestricted	992,191				992,191	1,032,741
Grants-In-Aid: Restricted	107,995	490			108,485	60,680
Federal Sources:						
In Lieu of Taxes: Unrestricted	3,986				3,986	5,427
Grants-In-Aid: Restricted Received Through DPI	33,913	12,236			46,149	70,093
Other Sources:						
Other Revenue	2,725				2,725	190
TOTAL REVENUES	2,013,040	48,187	25,800	171,860	2,258,887	2,219,944
EXPENDITURES						
Current:						
Regular Programs	674,713				674,713	666,411
Federal Programs	35,987				35,987	36,180
Instructional Media	7,307				7,307	14,260
School Board	79,541				79,541	69,367
Executive Administration	132,184				132,184	109,444
Support Service - Business	48,236				48,236	60,727
Operation and Maintenance of Plant	197,423				197,423	366,219
Student Transportation	202,394				202,394	208,019
Extracurricular Activities	67,387				67,387	58,838
Community Services	11,569				11,569	12,389
Food Services	57,374	33,400			90,774	85,703
Special Education	112,852				112,852	84,686
Vocational Education	120,425				120,425	115,560
Capital Outlay:						
Facilities Acquisition				280,015	280,015	188,898
TOTAL EXPENDITURES	1,747,392	33,400	-0-	280,015	2,060,807	2,076,701
Excess of Revenues Over (Under) Expenditures	265,648	14,787	25,800	(108,155)	198,080	143,243
OTHER FINANCING SOURCES						
Transfers In				180,000	180,000	-0-
Transfers Out	(180,000)				(180,000)	-0-
Net Changes in Fund Balances	85,648	14,787	25,800	71,845	198,080	143,243
Fund Balance - July 1	569,918	66,294	45,747	174,905	856,864	713,621
FUND BALANCE - JUNE 30	\$ 655,566	\$ 81,081	\$ 71,547	\$ 246,750	\$ 1,054,944	\$ 856,864

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

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(2015 column for comparative purposes only)

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 198,080	\$ 143,243
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
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 outlays exceeded depreciation in the current period.	196,748	193,106
Government funds report deferred outflows as expenditures however, in the statement of activities these costs do not require the use or provide a source of financial resources.	205,986	29,188
Government funds report deferred inflows as revenue however, in the statement of activities these inflows do not require the use or provide a source of financial resources.	113,881	(130,580)
Reduction or Increase of the Net Pension Liability does not require the use or provide a source of financial resources.	(331,460)	120,375
Governmental funds report debt retirement as expenditures however, in the statement of activities this cash outlay is not an expenditure but a reduction to a liability on the statement of net position.	32,954	78,073
Revenue from property taxes is deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when levied in the government-wide financial statements.	4,532	4,943
Change in Net Position of Governmental Activities	<u>\$ 420,721</u>	<u>\$ 438,348</u>

The notes to the financial statements are an integral part of this statement.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016
(2015 column for comparative purposes only)

	<u>AGENCY FUNDS</u>	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash	\$ 52,735	\$ 64,986
Investments	7,826	7,639
TOTAL ASSETS	<u>\$ 60,561</u>	<u>\$ 72,625</u>
LIABILITIES:		
Amounts Held For Student Groups	\$ 60,561	\$ 72,625
Total Liabilities	<u>60,561</u>	<u>72,625</u>
NET POSITION:		
TOTAL LIABILITIES AND NET POSITION	<u>\$ 60,561</u>	<u>\$ 72,625</u>

The notes to the financial statements are an integral part of this statement.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental 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:

A. Reporting Entity

The School Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. Generally accepted accounting principles require that the financial statements of the reporting entity include those of the School District (the primary government) and its component units. A component unit would be included in the School District's reporting entity because of the significance of their operational or financial relationship with the School District. The criteria established by GSAB Statement No. 14 in determining financial accountability 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. The School District has no component units as defined in GASB Statement No. 14 which should be included in the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all the School District's nonfiduciary activities with most interfund activities removed. *Governmental Activities* include programs supported primarily by taxes, State foundation aid, grants, and other intergovernmental revenues. The School District has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements: The fund financial statements provide information for governmental funds and fiduciary funds. Separate statements are presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The School District considers all governmental funds as major funds.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS:

General Fund - The general fund is the general operating fund of the school district. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital projects funds are used to account and report financial resources that are *restricted, committed, or assigned* to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are *restricted, committed, or assigned* to expenditure for principal and interest.

FIDUCIARY FUNDS:

Agency Funds - Agency funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Following is a list of the major funds:

<u>Fund</u>	<u>Brief Description</u>
General Fund	The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.
Food Service Fund	A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants.
Special Reserve Fund	A fund established to hold reserve funds.
Building Fund	A fund established to meet expenditures involving acquisition of plant and equipment and related costs. This fund is financed by property taxes.

C. Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating

statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable. The school district considers property tax as available when they are collected. Property taxes collected within 60 days after year end are not material.

Revenues from local sources consist primarily of property taxes. Revenues received from the Department of Public Instruction are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

D. Cash and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three months or less. 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 secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize local governments to invest in: a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) certificates of deposit fully insured by the federal deposit insurance corporation or the state, d) obligations of the state. Investments are stated at cost. The only investments held by the school district are certificates of deposit.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the school's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage. All school district funds were adequately insured or collateralized by government securities.

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The district's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The district manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

E. Capital Assets

Capital Assets include land, buildings, equipment, vehicles, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment for capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at actual or estimated historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during the construction of Governmental Activities capital assets are not capitalized along with other capital asset costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows.

	Capitalization <u>Threshold</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Land	\$ 5,000	Straight-Line	----
Buildings & Improvements	5,000	Straight-Line	50 years
Equipment	5,000	Straight-Line	10 years
Vehicles	5,000	Straight-Line	10 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in the governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

F. Long-Term Liabilities

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

G. Compensated Absences

In accordance with the provisions of GASB Statement No, 16, a liability is not recorded for nonvesting accumulating rights to receive sick pay benefits.

H. Fund Balances

Nonspendable fund balances will include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact.

Restricted fund balances will exist when constraints are placed of those resources that are either externally imposed or imposed by law.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by the school board.

Assigned fund balances will be amounts that are constrained by the school district's intent to be used for specific purposes, but are neither restricted, nor committed.

Unassigned fund balances will represent those funds that have not been assigned, committed, restricted, or considered nonspendable. The general fund will be the only fund that will report an unassigned fund balance except for a deficit fund balance in other funds.

I. Order of Fund Balance Spending Policy

The school district's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First nonspendable amounts are determined. Then restricted balances for specific purposes are determined. Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balances if the fund is in a deficit situation.

J. Prior Year Comparative Total Columns

Prior year total columns are financial data provided for analysis and comparative purposes only.

NOTE 2: DEPOSITS

At June 30, 2016 the School District had deposits of \$1,090,777.68. District deposits at balance sheet date were covered by federal depository insurance or pledge of governmental securities. Securities pledged were held by the entity or its agent in the entity's name (Category II assets). North Dakota statutes require the market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance. District deposits were adequately protected.

NOTE 3: TAXES RECEIVABLE

Taxes receivable consist of current taxes and delinquent uncollected taxes for the past three years as of June 30. No allowance has been established for uncollectible taxes receivable.

Property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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.

Property taxes are limited by state laws. All school tax levies are in compliance with state laws.

NOTE 4: CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016, is as follows:

Capital Assets:	<u>7-01-15</u>	<u>Additions</u>	<u>Retirements</u>	<u>06-30-16</u>
Buildings & Improvements	\$ 1,188,662	\$ 259,095		\$ 1,447,757
Equipment	346,369	22,377		368,746
Vehicles	443,927			443,927
	-----	-----	-----	-----
Totals	1,978,958	281,472	-0-	2,260,430
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Buildings & Improvements	728,514	12,000		740,514
Equipment	137,638	32,006		169,644
Vehicles	171,047	40,718		211,765
	-----	-----	-----	-----
Totals	1,037,199	84,724	-0-	1,121,923
	-----	-----	-----	-----
Government Activity				
Net Capital Assets	\$ 941,759	\$ 196,748	\$ -0-	\$ 1,138,507
	=====	=====	=====	=====

Depreciation was charged to functions as follows:

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
Support Services	\$ 40,718	\$ 39,472
Depreciation - Unallocated	44,006	38,339
	-----	-----
Total Depreciation Expense - Governmental Activities	\$ 84,724	\$ 77,811
	=====	=====

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of debt transactions of the school district for the year ended June 30, 2016.

	<u>CONTRACT PAYABLE</u>
Debt Payable July 1	\$ 32,954
Debt Issued	-0-
Debt Retired	32,954

Debt Payable June 30	\$ -0-
	=====
Due within one year	\$ -0-
	=====

NOTE 6: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent amounts reported for uncollected taxes receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes receivable are measurable but not available.

NOTE 7: EMPLOYEE RETIREMENT SYSTEMS

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

General Information about 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 the 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 funded members on or after July 1, 2008.

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.

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.

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% when the fund reaches 100% funded ratio on an actuarial basis.

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

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

At June 30, 2016, the Employer reported a liability of \$1,480,911 (from Exhibit E Column 2 in TFFR GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015 the Employer's proportion was .113232%, (from Exhibit E, Column 1 in TFFR GASB Report) which was an increase or (decrease) of .003533 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the Employer recognized pension expense of \$104,088 (from Exhibit E, Column 13 of TFFR GASB Report). At June 30, 2016 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Exhibit E, Columns 14-22 of TFFR GASB Report with the exception of employer contributions subsequent to the measurement date):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 9,704	\$ -0-
Changes of assumptions	166,281	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	16,699
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,093	-0-
Employer contributions subsequent to the measurement date (see below)	92,500	-0-
	-----	-----
Total	<u>\$ 303,578</u>	<u>\$ 16,699</u>

\$92,500 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (employer's subsequent fiscal year-end).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (from Exhibit E, Columns 23-28 of TFFR GASB Report - years will need to be rolled forward one year from the dates in the report):

Year ended June 30:	
2017	\$ 22,833
2018	22,833
2019	22,833
2020	56,529
2021	35,432
Thereafter	33,919

Actuarial assumptions

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

Inflation	2.75%
Salary increases	4.25%-14.5%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%
- Total salary scale 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	57%	7.5%
Global Fixed Income	22%	1.3%
Global Real Assets	20%	5.4%
Cash Equivalents	1%	0.0%

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate: (from Exhibit E, Columns 4-6 TFFR GASB Report)

	Current Discount		
	1% Decrease(6.75%)	Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$1,957,093	\$1,480,911	\$1,083,784

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

NOTE 8: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds established by the State for risk management issues:

The School District participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the State Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund does not currently charge any premium for this coverage.

The School District participates in the North Dakota Worker's Compensation Bureau, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

During the mid-1980's, the School District was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members paid an additional charge the first year they joined to help capitalize the NDRIF. In 1991, 1992, 1993, 1994, and 1995, the NDRIF returned 20% each year, for a total of 100%, of the capitalized amount with a premium reduction or cash payment to the School District. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	BUDGET BASIS ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>				
Local Sources	\$ 854,651	\$ 884,953	\$ 872,230	\$ (12,723)
State Sources	1,189,592	1,195,305	1,100,186	(95,119)
Federal Sources	38,873	39,359	37,899	(1,460)
Other Sources	1,000	3,500	2,725	(775)
TOTAL REVENUES	<u>2,084,116</u>	<u>2,123,117</u>	<u>2,013,040</u>	<u>(110,077)</u>
<u>EXPENDITURES</u>				
Current:				
Regular Programs	686,040	699,036	674,713	24,323
Federal Programs	31,806	35,987	35,987	-0-
Instructional Media	10,758	10,758	7,307	3,451
School Board	89,350	89,350	79,541	9,809
Executive Administration	134,836	134,836	132,184	2,652
Support Services - Business	50,662	50,662	48,236	2,426
Operation and Maintenance of Plant	342,146	225,509	197,423	28,086
Student Transportation	185,849	230,849	202,394	28,455
Extracurricular Activities	76,155	76,647	67,387	9,260
Community Services	11,863	11,863	11,569	294
Food Service	62,544	62,544	57,374	5,170
Special Education	110,934	110,934	112,852	(1,918)
Vocational Education	127,872	127,872	120,425	7,447
TOTAL EXPENDITURES	<u>1,920,815</u>	<u>1,866,847</u>	<u>1,747,392</u>	<u>119,455</u>
Excess of Revenues Over (Under) Expenditures	163,301	256,270	265,648	9,378
Transfers In	10,000	-0-	-0-	-0-
Transfers Out	-0-	(180,000)	(180,000)	-0-
Fund Balance - July 1	569,918	569,918	569,918	-0-
FUND BALANCE - JUNE 30	<u>\$ 743,219</u>	<u>\$ 646,188</u>	<u>\$ 655,566</u>	<u>\$ 9,378</u>

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

Edmore Public School District No. 2
Edmore, North Dakota

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*
June 30, 2016
(from Exhibit E and Exhibit 2 of TFFR GASB Report)

	<u>2016</u>	<u>2015</u>
1. Employer's proportion of the net pension liability (asset). Exhibit E, Column 1	.113232%	.109699%
2. Employer's proportionate share of the net pension liability (asset). Exhibit E, Column 2	\$ 1,480,911	\$ 1,149,451
3. Employer's covered-employee payroll. Exhibit E, Column 3	\$ 696,496	\$ 636,310
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll. Calculate, 2 divided by 3	212.62%	180.64%
5. Plan fiduciary net position as a percentage of the total pension liability. Exhibit 2	62.1%	66.6%

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

The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Edmore Public School District No. 2
Edmore, North Dakota

Schedule of Employer Contributions
ND Teacher's Fund for Retirement
Last 10 Fiscal Years*
June 30, 2016
(from Exhibit E of TFFR GASB Report)

	<u>2016</u>	<u>2015</u>
1. Statutorily required contribution Exhibit E, Column 7	\$ 88,799	\$ 68,403
2. Contributions in relation to the statutorily required contribution Exhibit E, Column 8	\$ (88,799)	\$ (68,403)
3. Contribution deficiency (excess) Exhibit E, Column 9	\$ -0-	\$ -0-
4. Employer's covered-employee payroll Exhibit E, Column 3	\$ 696,496	\$ 636,310
5. Contributions as a percentage of covered-employee payroll Exhibit E, Column 10	12.75%	10.75%

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

The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- 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.
- All appropriations lapse at year-end.

NOTE 2: CHANGES OF ASSUMPTIONS

Regarding the ND Teachers' Fund for Retirement amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study dated April 30, 2015. This includes changes to the investment return, inflation, salary scale, administrative expenses, turnover and retirement rates, and mortality tables.

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	BALANCE <u>7-01-15</u>	RECEIPTS	DISBURSEMENTS	BALANCE <u>6-30-16</u>
<u>GENERAL FUND TYPE</u>				
General Fund	\$ 514,198.53	\$ 2,029,031.80	\$ 1,912,391.76	\$ 630,838.57
<u>SPECIAL REVENUE FUND TYPE</u>				
Food Service Fund	66,293.99	48,187.68	33,400.57	81,081.10
Special Reserve Fund	45,747.42	25,799.21	-0-	71,546.63
<u>CAPITAL PROJECTS FUND TYPE</u>				
Building Fund	174,905.03	351,860.59	280,015.13	246,750.49
<u>AGENCY FUND TYPES</u>				
Student Activity Fund	<u>72,624.89</u>	<u>59,103.04</u>	<u>71,167.04</u>	<u>60,560.89</u>
TOTAL ALL FUNDS	<u>\$ 873,769.86</u>	<u>\$ 2,513,982.32</u>	<u>\$ 2,296,974.50</u>	<u>\$ 1,090,777.68</u>

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>FEDERAL GRANTOR \ PASS-THROUGH GRANTOR \ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES 2016</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Public Instruction:			
Title IIA	84.367	PII046	\$ 20,146.00
Passed Through Langdon Area Public School District:			
Title I	84.010	NONE	12,146.00
Passed Through Devils Lake Public School District:			
Vocational Education (Carl Perkins Grant)	84.048	NONE	2,937.00
Total U. S. Department of Education			----- 35,229.00 -----
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Public Instruction:			
School Lunch Program	10.555	PII006	12,235.74
Commodities	10.567	PII014	4,462.81
Total U. S. Department of Agriculture			----- 16,698.55 -----
TOTAL FEDERAL FINANCIAL ASSISTANCE			----- \$ 51,927.55 =====

EDMORE PUBLIC SCHOOL DISTRICT NO. 2
EDMORE, NORTH DAKOTA

SCHOOL DISTRICT OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2016

Audrey Lorenz
Doug Freije

Board President
Board Vice-President

Edval Helle, Jr.
Kori Hodek
Karla Mack

Board Member
Board Member
Board Member

Frank Schill

Superintendent

Diane Martinson

Business Manager