**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
**FORT TOTTEN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2017

| | |
|---|---|
| Shelly Luger | President |
| Rena Lohnes | Vice President |
| Douglas Yankton | Board Member |
| Demus McDonald | Board Member |
| Vernon Lambert | Board Member |
| Jeff Olson | Superintendent |
| Walter Hollifield (through September 30, 2017) | Business Manager |
| Megan Weisser (effective October 1, 2017) | Business Manager |

* * * * * * * * * * * *

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education
Fort Totten Public School District #30
Fort Totten, North Dakota

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Fort Totten Public School District #30, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of Fort Totten Public School District #30, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

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

Management has omitted the budgetary comparison information for the General Fund that accounting principles generally accepted in the United States of America requires 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 opinions on the basic financial statements are not affected by this missing information.

*Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

January 17, 2018

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

## Financial Highlights

Key financial highlights for the 2016-2017 fiscal years are as follows:

- Net position of the District increased by $3,322,885 as a result of the current year's operations.
- Governmental net position totaled $636,236.
- Total revenues from all sources were $6,827,854.
- Total expenses were $3,504,969.
- Overall, the general fund balance increased by $248,382 for the year ended June 30, 2017, compared to an increase of $135,577 in the previous year.

## Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Fort Totten Public School District No. 30 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

## Reporting the School District as a Whole

### Statement of Net Position and the Statement of Activities

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

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

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**Financial Analysis of the District as a Whole**

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

Table 1 provides a summary of the District's net position as of June 30, 2017 and 2016.

As indicated in the financial highlights, the District's net position was $636,236 as of June 30, 2017. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $636,236 is segregated into two separate categories, net investment in capital assets and unrestricted net position. It should be noted that the net investment in capital assets is not available for future spending. The unrestricted net position is available to meet the District's ongoing obligations.

Table 1

| | 2017 | 2016 |
|---|---|---|
| Assets | | |
| Current Assets | $ 1,957,717 | $ 1,083,287 |
| Capital Assets (Net of Accumulated Depreciation) | 3,356,936 | 180,822 |
| Total Assets | 5,314,653 | 1,264,109 |
| Deferred Outflows of Resources | | |
| Cost Sharing Defined Benefit Plan | 886,730 | 619,740 |
| Total Deferred Inflows of Resources | 886,730 | 619,740 |
| Liabilities | | |
| Current Liabilities | 1,354,579 | 729,138 |
| Long-Term Liabilities | 3,869,197 | 3,612,568 |
| Total Liabilities | 5,223,776 | 4,341,706 |
| Deferred Inflows of Resources | | |
| Cost Sharing Defined Benefit Plan | 341,371 | 228,792 |
| Total Deferred Inflows of Resources | 341,371 | 228,792 |
| Net Position | | |
| Net Investment in Capital Assets | 3,356,936 | 122,416 |
| Unrestricted | (2,720,700) | (2,809,065) |
| Total Net Position | $ 636,236 | $ (2,686,649) |

Table 2 shows the changes in net position for the fiscal years ended June 30, 2017 and 2016.

Table 2

| | 2017 | 2016 |
|---|---|---|
| Revenues | | |
| Program Revenues | | |
| Charges for Services | $ 21,776 | $ 2,563 |
| Operating Grants and Contributions | 1,009,651 | 1,135,322 |
| Capital Grants and Contributions | 3,289,677 | 58,037 |
| General Revenues | | |
| Property Taxes | 39,640 | 46,386 |
| State Aid - Unrestricted | 1,467,099 | 1,392,770 |
| Federal Aid - Unrestricted | 999,422 | 997,933 |
| Investment Earnings | 589 | 361 |
| Total Revenues | 6,827,854 | 3,633,372 |
| Expenses | | |
| Business Support Services | 37,422 | 32,302 |
| Instructional Support Services | 109,624 | 119,136 |
| Administration | 454,570 | 412,991 |
| Operations and Maintenance | 77,863 | 36,858 |
| Transportation | 280,829 | 268,483 |
| Regular Instruction | 1,740,441 | 1,688,413 |
| Fine Arts Program | - | 58,346 |
| Special Education | 480,862 | 455,172 |
| Vocational Education | 184,239 | 210,353 |
| Extra Curricular Activities | 139,119 | 104,537 |
| Interest and Fees on Long-Term Debt | - | 4,210 |
| Total Expenses | 3,504,969 | 3,390,801 |
| Change in Net Position | $ 3,322,885 | $ 242,571 |

Property taxes constituted 1%, state aid 21%, federal aid 15%, operating grants and contributions 15% and capital grants and contributions 48%, of the total revenues of governmental activities of the District for fiscal year 2017.

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

Table 3

| | Total Cost for Year Ended 6/30/2017 | Net Cost for Year Ended 6/30/2017 | Total Cost for Year Ended 6/30/2016 | Net Cost for Year Ended 6/30/2016 |
|---|---|---|---|---|
| Business Support Services | $ 37,422 | $ (37,422) | $ 32,302 | $ (32,302) |
| Instructional Support Services | 109,624 | (109,624) | 119,136 | (119,136) |
| Administration | 454,570 | (454,570) | 412,991 | (412,991) |
| Operations and Maintenance | 77,863 | 3,211,814 | 36,858 | 21,179 |
| Transportation | 280,829 | (101,435) | 268,483 | (91,424) |
| Regular Instruction | 1,740,441 | (1,012,617) | 1,688,413 | (848,710) |
| Fine Arts Program | - | - | 58,346 | (58,346) |
| Special Education | 480,862 | (409,041) | 455,172 | (396,700) |
| Vocational Education | 184,239 | (131,851) | 210,353 | (147,702) |
| Extra-Curricular Activities | 139,119 | (139,119) | 104,537 | (104,537) |
| Interest and Fees on Long-Term Debt | - | - | 4,210 | (4,210) |
| Total Expenses | $ 3,504,969 | $ 816,135 | $ 3,390,801 | $ (2,194,879) |

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

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

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

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

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

Fine Arts Program expenses include expenditures that support the teaching of fine arts type instruction.

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

Vocational education includes expenditures that support the teaching of vocational type instruction.

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

Interest and Fees on Long-Term debt include expenses related to debt service.

### Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues and other financing sources of $6,827,805 and $3,576,071 and expenditures of $6,579,423 and $3,401,320 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the unassigned fund balance of the District's General Fund was $611,960 and $363,578, respectively.

### Capital Assets

As of June 30, 2017 and 2016, the District had $3,356,936 and $180,822 invested in capital assets. Table 4 shows balances as of June 30, 2017 and 2016. Please see Note 4 for detailed information.

Table 4

| | 2017 | 2016 |
|---|---|---|
| Equipment | $ 31,186 | $ 180,822 |
| Construction In Progress | 3,325,750 | - |
| Total Capital Assets (net of accumulated depreciation) | $ 3,356,936 | $ 180,822 |

### Debt Administration

As of June 30, 2017, the District had $3,879,197 in outstanding debt. The balance of the District's debt increased by $256,072 from June 30, 2016. See below and Note 5 for descriptions of the District's debt.

| Type | Balance 6/30/2016 | Additions | Reductions | Balance 6/30/2017 |
|---|---|---|---|---|
| Capital Lease Payable | $ 557 | $ - | $ 557 | $ - |
| Compensated Absences | 79,992 | 77,325 | 75,770 | 81,547 |
| Net Pension Liability | 3,542,576 | 961,837 | 706,763 | 3,797,650 |
| Total | $ 3,623,125 | $ 1,039,162 | $ 783,090 | $ 3,879,197 |

### For the Future

Long-term enrollment projections show a decline; therefore, budgeting will need to reflect the changes in revenue that may or may not occur. Grants will continue to be pursued to support local, state, and federal funding. Competitive salaries and ongoing professional development will also be high priorities for funding.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Megan Weisser, Business Manager, Fort Totten Public School District, Fort Totten, North Dakota 58335, phone 701-537-5414.

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

| | |
|---|---|
| ASSETS | |
| Cash | $ 820,133 |
| Property Taxes Receivable | 3,402 |
| Due From Other Governments | 1,134,182 |
| Total Current Assets | 1,957,717 |
| | |
| Capital Assets (Net of Accumulated Depreciation) | |
| Equipment | 31,186 |
| Construction in Progress | 3,325,750 |
| Total Capital Assets | 3,356,936 |
| | |
| TOTAL ASSETS | 5,314,653 |
| | |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 772,061 |
| Cost Sharing Defined Benefit Pension Plan - NDPERS | 114,669 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 886,730 |
| | |
| LIABILITIES | |
| Accounts Payable | 911,344 |
| Retainage Payable | 153,273 |
| Accrued Payroll | 279,199 |
| Due to Student Body Activity | 563 |
| Due to other Funds | 200 |
| Compensated Absences Due Within One Year | 10,000 |
| Total Current Liabilities | 1,354,579 |
| | |
| Long-Term Liabilities | |
| Compensated Absences | 71,547 |
| Net Pension Liability | 3,797,650 |
| Total Long-Term Liabilities | 3,869,197 |
| | |
| TOTAL LIABILITIES | 5,223,776 |
| | |
| DEFERRED INFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan - TFFR | 273,101 |
| Cost Sharing Defined Benefit Pension Plan - NDPERS | 68,270 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 341,371 |
| | |
| NET POSITION | |
| Net Investment in Capital Assets | 3,356,936 |
| Unrestricted | (2,720,700) |
| | |
| TOTAL NET POSITION | $ 636,236 |

See Notes to the Basic Financial Statements

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Business Support Services | $ 37,422 | $ - | $ - | $ - | $ (37,422) |
| Instructional Support Services | 109,624 | - | - | - | (109,624) |
| Administration | 454,570 | - | - | - | (454,570) |
| Operations and Maintenance | 77,863 | - | - | 3,289,677 | 3,211,814 |
| Transportation | 280,829 | - | 179,394 | - | (101,435) |
| Regular Instruction | 1,740,441 | 21,776 | 706,048 | - | (1,012,617) |
| Special Education | 480,862 | - | 71,821 | - | (409,041) |
| Vocational Education | 184,239 | - | 52,388 | - | (131,851) |
| Extra-Curricular Activities | 139,119 | - | - | - | (139,119) |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 3,504,969 | $ 21,776 | $ 1,009,651 | $ 3,289,677 | 816,135 |

| | |
|---|---|
| GENERAL REVENUES | |
| Property Taxes | 39,640 |
| Aids and Payments from the State | 1,467,099 |
| Unrestricted Federal Aid | 999,422 |
| Unrestricted Investment Earnings | 589 |
| TOTAL GENERAL REVENUES | 2,506,750 |
| Change in Net Position | 3,322,885 |
| Net Position - Beginning | (2,686,649) |
| Net Position - Ending | $ 636,236 |

See Notes to the Basic Financial Statements

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

| | General Fund | Building Fund | Total Governmental Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash | $ 820,133 | $ - | $ 820,133 |
| Property Taxes Receivable | 3,402 | - | 3,402 |
| Due From Other Governments | 213,268 | 920,914 | 1,134,182 |
| TOTAL ASSETS | $ 1,036,803 | $ 920,914 | $ 1,957,717 |
| LIABILITIES | | | |
| Due to Student Body Activity | $ 563 | $ - | $ 563 |
| Accounts Payable | 143,703 | 767,641 | 911,344 |
| Retainage Payable | - | 153,273 | 153,273 |
| Accrued Payroll | 279,199 | - | 279,199 |
| Due to Other Funds | 200 | - | 200 |
| TOTAL LIABILITIES | 423,665 | 920,914 | 1,344,579 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable - Delinquent Taxes | 1,178 | - | 1,178 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,178 | - | 1,178 |
| FUND BALANCES | | | |
| Unassigned | 611,960 | - | 611,960 |
| TOTAL FUND BALANCES | 611,960 | - | 611,960 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 1,036,803 | $ 920,914 | $ 1,957,717 |

See Notes to the Basic Financial Statements

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**

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

AS OF JUNE 30, 2017

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 611,960 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as net position in government funds: | | |
| Cost of capital assets | $ 3,750,925 | |
| Less: accumulated depreciation | (393,989) | |
| Net | | 3,356,936 |
| Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds. | | 545,359 |
| Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds. | | 1,178 |
| Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds. | | |
| Compensated Absences | | (81,547) |
| Net Pension Liability | | (3,797,650) |
| Net Position - Governmental Activities | | $ 636,236 |

See Notes to the Basic Financial Statements

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
– GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund | Building Fund | Total Governmental Funds |
|---|---|---|---|
| REVENUES | | | |
| Local Property Tax Levies | $ 39,590 | $ - | $ 39,590 |
| Other Local & County Revenues | 21,776 | 72,500 | 94,276 |
| Revenue From State Sources | 1,720,136 | - | 1,720,136 |
| Revenue From Federal Sources | 1,777,812 | 3,195,402 | 4,973,214 |
| Interest | 589 | - | 589 |
| TOTAL REVENUES | 3,559,903 | 3,267,902 | 6,827,805 |
| EXPENDITURES | | | |
| Current: | | | |
| Business Support Services | 37,423 | - | 37,423 |
| Instructional Support Services | 109,624 | - | 109,624 |
| Administration | 454,570 | - | 454,570 |
| Operations and Maintenance | 20,013 | - | 20,013 |
| Transportation | 280,829 | - | 280,829 |
| Regular Instruction | 1,604,285 | - | 1,604,285 |
| Special Education | 480,862 | - | 480,862 |
| Vocational Education | 184,239 | - | 184,239 |
| Extra-Curricular Activities | 139,119 | - | 139,119 |
| Capital Outlay | - | 3,267,902 | 3,267,902 |
| Debt Service: | | | |
| Principal Retirement | 557 | - | 557 |
| TOTAL EXPENDITURES | 3,311,521 | 3,267,902 | 6,579,423 |
| Net Change in Fund Balances | 248,382 | - | 248,382 |
| Fund Balance - Beginning of Year | 363,578 | - | 363,578 |
| Fund Balance - End of Year | $ 611,960 | $ - | $ 611,960 |

See Notes to the Basic Financial Statements

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | | |
|---|---|---|
| Total net changes in fund balances - Governmental Funds | | $ 248,382 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the useful lives as depreciation expense. | | |
| Capital Outlays | $ 3,210,052 | |
| Depreciation Expense | (33,938) | 3,176,114 |
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. | | 557 |
| Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in : | | |
| Compensated Absences | | (1,555) |
| Changes in deferred outflows and inflows of resources related to net pension liability | | 154,411 |
| Change in net pension liability | | (255,074) |
| Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of : | | |
| Net change in unavailable property taxes | | 50 |
| Change in net position - Governmental Activities | | $ 3,322,885 |

See Notes to the Basic Financial Statements

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
AS OF JUNE 30, 2017

| | | |
|---|---|---|
| ASSETS | | |
| Cash | $ | 25,879 |
| Due from Fort Totten PSD - General Fund | | 563 |
| TOTAL ASSETS | $ | 26,442 |
| | | |
| LIABILITIES | | |
| Due to Student Groups | $ | 26,442 |
| TOTAL LIABILITIES | $ | 26,442 |

See Notes to the Basic Financial Statements

## NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Fort Totten Public School District operates the elementary school in Fort Totten, North Dakota.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### *Basis of Presentation*

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

### Government-Wide Financial Statements:

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

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

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

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

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

### Fund Financial Statements:

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

***Fund Accounting***

The District's funds consist of the following:

**Governmental Funds:**

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

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

**Building Fund:**
The Building fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

**Fiduciary Funds:**

The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

**Student Activity Fund:**
The fund accounts for the financial transactions related to the District's student activity programs.

***Measurement Focus and Basis of Accounting***

**Measurement Focus:**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities, and current deferred inflows/outflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reports on the sources and uses of current financial resources.

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

**Basis of Accounting:**

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

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

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

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

**Revenues-Exchange and Non-Exchange Transactions:**

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

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

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

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

**Unearned Revenues:**

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

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

**Expenses and Expenditures:**

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

**Budgets and Budgetary Accounting:**

The District's board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July, must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year.

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15 of each year to ensure it is adopted before the tenth of October each year. The budget is then filed with the county auditor by October tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October tenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

**Cash and Cash Equivalents:**

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

**Investments:**

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

**Fair Value Measurements:**

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

**Capital Assets:**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-wide Statement of Net Position but are not reported as assets in the Fund Financial Statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of $750. Donated fixed assets are recorded at their fair market values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

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

| | |
|---|---|
| Buildings and Improvements | 50 years |
| Equipment and Fixtures | 5 to 20 years |
| Vehicles | 8 years |

**Accrued Liabilities and Long-term Obligations:**

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

**Pensions:**

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

**Compensated Absences:**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave time. The payout of unused vacation and sick leave time will be paid out at $80 per day up to a maximum of 65 days. All vacation and sick pay is accrued when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Fund Balance Classifications:**

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

> *Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items.
>
> *Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.
>
> *Committed* – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.
>
> *Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.
>
> *Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

The Board of Education has formally adopted a fund balance policy for the General Fund, requiring the District to maintain a year-end target fund balance of 10-15% for cash flow timing needs (working capital) and contingencies.

**Deferred Outflows/Inflows of Resources:**

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

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

**Net Position:**

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

**Extraordinary and Special Items:**

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

**Estimates:**

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

**Revenue Recognition - Property Taxes:**

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

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

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

**Significant Group Concentrations of Credit Risk:**

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

**NOTE 3 CASH**

**Custodial Credit Risk - Deposits**

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

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

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

At June 30, 2017, the carrying amount of the District's deposits was $846,012 and the bank balance was $866,984. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

**Credit Risk**

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

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

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

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

d. Obligations of the state.

**Interest Rate Risk**

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

**Concentration of Credit Risk**

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

**Custodial Credit Risk – Investments**

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

## NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets during the year:

| | Balance July 1, 2016 | Additions | Disposals | Balance June 30, 2017 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Construction in Progress | $ 115,698 | $ 3,210,052 | $ - | $ 3,325,750 |
| Capital Assets Being Depreciated | | | | |
| Vehicles | 54,000 | - | - | 54,000 |
| Furniture & Equipment | 371,175 | - | - | 371,175 |
| Total Capital Assets | 540,873 | 3,210,052 | - | 3,750,925 |
| Less Accumulated Depreciation | | | | |
| Vehicles | 54,000 | - | - | 54,000 |
| Furniture & Equipment | 306,051 | 33,938 | - | 339,989 |
| Total | 360,051 | 33,938 | - | 393,989 |
| Net Capital Assets for Governmental Activities | $ 180,822 | $ 3,176,114 | $ - | $ 3,356,936 |

Construction in progress consists of a new school addition of $3,325,750.

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

| | |
|---|---|
| Regular Instruction | $ 33,938 |
| | $ 33,938 |

## NOTE 5 LONG-TERM DEBT

A summary of long-term debt is as follows:

| Type | Balance 6/30/2016 | Additions | Reductions | Balance 6/30/2017 | Due within One Year |
|---|---|---|---|---|---|
| Capital Lease Payable | $ 557 | $ - | $ 557 | $ - | $ - |
| Compensated Absences | 79,992 | 77,325 | 75,770 | 81,547 | 10,000 |
| Net Pension Liability | 3,542,576 | 961,837 | 706,763 | 3,797,650 | - |
| Total | $ 3,623,125 | $ 1,039,162 | $ 783,090 | $ 3,879,197 | $ 10,000 |

Accumulated compensation and net pension liability are generally liquidated by the general fund.

## NOTE 6 FUND BALANCE

The Board of Education has formally adopted a fund balance policy for the General Fund, requiring the District to maintain a year-end target fund balance of 10-15% for cash flow timing needs (working capital) and contingencies.

**NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

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

Disclosures relating to these plans follow:

**North Dakota Teacher's Fund For Retirement**

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

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

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

***Pension Benefits***

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Contributions**

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

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

**Pension Costs**

At June 30, 2017, the District reported a liability of $3,451,561 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016, the Employer's proportion was 0.235592 percent, which was a decrease of 0.015362 percent from its proportion measured at July 1, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of $275,523. At June 30, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 16,302 | $ 16,342 |
| Changes in actuarial assumptions | 288,305 | - |
| Difference between projected and actual investment earnings | 286,918 | - |
| Changes in proportion | - | 256,759 |
| Contributions paid to TFFR subsequent to the measurement date | 180,536 | - |
| Total | $ 772,061 | $ 273,101 |

$180,536 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

| Year ending June 30: | Pension Expense Amount |
|---|---|
| 2018 | $ 60,247 |
| 2019 | 60,247 |
| 2020 | 130,356 |
| 2021 | 86,460 |
| 2022 | 9,451 |
| Thereafter | (28,337) |

### Actuarial Assumptions

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

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

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

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

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

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

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

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

### Discount Rate

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

**Pension Liability Sensitivity**

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

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| | 6.75% | 7.75% | 8.75% |
| School's proportionate share of the TFFR net pension liability: | $ 4,476,933 | $ 3,451,561 | $ 2,597,522 |

**Pension Plan Fiduciary Net Position**

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

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

The following brief description of the North Dakota Public Employees' Retirement System (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.

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

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

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

**Member and Employer Contributions**

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

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

At June 30, 2017, the District reported a liability of $346,089 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the District's proportion was 0.035511 percent, which was a decrease of 0.002793 percent from its proportion measured at June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $34,649. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 5,199 | $ 3,205 |
| Changes in actuarial assumptions | 31,905 | 17,194 |
| Difference between projected and actual investment earnings | 48,285 | - |
| Changes in proportion | - | 47,871 |
| Contributions paid to NDPERS subsequent to the measurement date | 29,280 | - |
| Total | $ 114,669 | $ 68,270 |

$29,280 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

| Year ending June 30: | Pension Expense Amount |
|---|---|
| 2018 | $ 426 |
| 2019 | 426 |
| 2020 | 10,959 |
| 2021 | 3,136 |
| 2022 | 2,172 |
| Thereafter | - |

**Actuarial Assumptions**

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

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

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

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

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equity | 31.00% | 6.60% |
| International Equity | 21.00% | 7.30% |
| Private Equity | 5.00% | 10.90% |
| Domestic Fixed Income | 17.00% | 1.49% |
| International Fixed Income | 5.00% | -0.45% |
| Global Real Assets | 20.00% | 5.24% |
| Cash Equivalents | 1.00% | 0.00% |

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

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

| | 1% Decrease in Discount Rate | Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| | 7.00% | 8.00% | 9.00% |
| School's proportionate share of the NDPERS net pension liability: | $ 490,921 | $ 346,089 | $ 224,061 |

**Pension Plan Fiduciary Net Position**

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

**NOTE 8 RISK MANAGEMENT**

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The state Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 9 CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**NOTE 10 NEW PRONOUNCEMENTS**

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

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

GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

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

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

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

GASB Statement No. 87, *Leases,* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

## NOTE 11 COMMITMENTS

### Construction Commitments

The District currently has construction in progress of a new school addition as described in Note 4. Total contract commitments for the new school addition are to Shingobee Builders, Inc. for $780,000.

## NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 17, 2018, which is the date these financial statements were available to be issued.

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS

**Teachers Fund for Retirement**

| Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2017 | $ 180,536 | $ 180,536 | $ - | $ 1,415,964 | 12.75% |
| 2016 | 193,708 | 193,708 | - | 1,519,059 | 12.75% |
| 2015 | 196,803 | 196,803 | - | 1,543,627 | 12.75% |

**North Dakota Public Employees Retirement System**

| Fiscal Year Ended June 30 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contributions | Contribution Deficiency (Excess) | District's Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|---|---|---|---|---|---|
| 2017 | $ 29,280 | $ 29,280 | - | $ 416,700 | 7.03% |
| 2016 | 28,443 | 28,443 | - | 344,540 | 8.26% |
| 2015 | 31,448 | 31,448 | - | 380,723 | 8.26% |

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

See Note to the Required Supplementary Information

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

**Teachers Fund for Retirement**

| For the Fiscal Year Ended June 30 | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) (a) | District's Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2017 | 0.235592% | $ 3,451,561 | $ 1,530,700 | 225.49% | 59.20% |
| 2016 | 0.250954% | 3,282,115 | 1,543,627 | 212.62% | 66.60% |
| 2015 | 0.250954% | 2,760,028 | 1,527,893 | 180.64% | 62.10% |

**North Dakota Public Employees Retirement System**

| For the Fiscal Year Ended June 30 | District's Proportion of the Net Pension Liability (Asset) | District's Proportionate Share of the Net Pension Liability (Asset) (a) | District's Covered-Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2017 | 0.035511% | $ 346,089 | $ 357,864 | 96.71% | 70.46% |
| 2016 | 0.038304% | 260,461 | 380,723 | 68.41% | 77.15% |
| 2015 | 0.044874% | 284,825 | 378,002 | 75.35% | 77.70% |

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

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

See Note to the Required Supplementary Information

## NOTE 1 CHANGES OF ASSUMPTIONS

### TFFR

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

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

### NDPERS

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
SCHEDULE OF FUND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2017

| | Balance 7/1/2016 | Receipts | Transfer In | Transfer Out | Debt Proceeds | Disbursements | Balance 6/30/2017 |
|---|---|---|---|---|---|---|---|
| Major Funds: | | | | | | | |
| General Fund | $ 363,578 | $ 3,559,903 | $ - | $ - | $ - | $ 3,311,521 | $ 611,960 |
| Building Fund | - | 3,267,902 | - | - | - | 3,267,902 | - |
| Total Governmental Funds | 363,578 | 6,827,805 | - | - | - | 6,579,423 | 611,960 |
| Agency Fund: | | | | | | | |
| Student Activity - | | | | | | | |
| Due to Student Groups | 6,076 | 110,125 | - | - | - | 89,759 | 26,442 |
| Total All Funds | $ 369,654 | $ 6,937,930 | $ - | $ - | $ - | $ 6,669,182 | $ 638,402 |

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Education
Fort Totten Public School District No. 30
Fort Totten, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Fort Totten Public School District No. 30 as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise Fort Totten Public School District No. 30's basic financial statements, and have issued our report thereon dated January 17, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fort Totten Public School District No. 30's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-003, and 2017-004 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fort Totten Public School District No. 30'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*.

**District's Responses to the Findings**

Fort Totten Public School District No. 30's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Brady Martz

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

January 17, 2018

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Educators
Fort Totten Public School District No. 30
Fort Totten, North Dakota

**Report on Compliance for Each Major Federal Program**

We have audited Fort Totten Public School District No. 30's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Fort Totten Public School District No. 30's major federal program for the year ended June 30, 2017. Fort Totten Public School District No. 30's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on Fort Totten Public School District No. 30's compliance.

**Opinion on Each Major Program**

In our opinion, Fort Totten Public School District No. 30 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major program for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of the Fort Totten Public School District No. 30 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Fort Totten Public School District No. 30's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fort Totten Public School District No. 30's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of The Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brady Martz

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

January 17, 2018

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

| CFDA # | Description | Pass-Through Entity Award Identification Number | Expenditures |
|---|---|---|---|
| Department of the Interior | | | |
| Passed Through the Spirit Lake Tribe | | | |
| 15.130 | Johnson O'Malley | | $ 9,831 |
| Total Department of the Interior | | | 9,831 |
| Department of Education | | | |
| 84.041 | Title VIII Impact Aid | | 4,194,824 |
| 84.060 | Title VII ESEA | | 42,512 |
| Total Direct Funding | | | 4,237,336 |
| Passed Through the North Dakota State Department of Public Instruction | | | |
| 84.010 | Title I | F84010 | 523,679 |
| | Total CFDA 84.010 | | 523,679 |
| | Special Education Cluster (IDEA) | | |
| 84.027 | IDEA-B Special Education | F84027A | 58,416 |
| 84.173 | Pre-School Special Education | F84173A | 6,122 |
| | Total Special Education Cluster (IDEA) | | 64,538 |
| 84.367 | Title II Part A - Teacher and Principal Quality | F84367 | 102,324 |
| Total Passed through North Dakota Department of Public Instruction | | | 690,541 |
| Passed Through the North Dakota State Department of Career and Technical Education | | | |
| 84.004 | Civil Rights Training and Advisory Services | 84.004A | 1,000 |
| 84.048 | Carl Perkins | | 34,506 |
| Total Passed through North Dakota Department of Career and Technical Education | | | 35,506 |
| Total Department of Education | | | 4,963,383 |
| | TOTAL | | $ 4,973,214 |

See Notes to the Schedule of Expenditures of Federal Awards

## NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Fort Totten Public School District No. 30 and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to requirement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## NOTE 3 PASS-THROUGH ENTITIES

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

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

**Section I - Summary of Auditor's Results**

Financial Statements

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

Federal Awards

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

Identification of major programs:

| CFDA Number(s) | Name of Federal Program of Cluster |
|---|---|
| 84.041 | Title VIII Impact Aid |

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

**Section II-Financial Statement Findings**

**2017-001 Material Weakness**

Criteria
An appropriate system of internal controls requires that the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition
The District's auditors prepared the financial statements as of June 30, 2017. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Effect
The District currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation
Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response
See corrective action plan below.

**2017-002 Material Weakness**

Criteria
The general ledger should be complete and accurate with reconciliations and account review analysis being performed on a monthly basis to help detect and avoid potential misstatements.

Condition
It was noted that a detailed general ledger account review analysis and reconciliation was not performed on a regular basis throughout the year ended June 30, 2017. Several reconciliations were performed subsequent to year end.

Effect
This could result in revenue and expense accounts being overstated and understated. Program directors are not able to review budget to actual information for their respective grants on a timely basis which could result in improper reporting and subsequent grant budgeting.

Recommendation
We recommend that procedures be implemented to ensure reconciliations be performed on a periodic basis throughout the year and reviewed by management. Program directors should receive detailed general ledger reports on a monthly basis so that they can reconcile to their approved grant budget. This monthly analysis should be kept by program directors to indicate that proper monitoring procedures have been performed.

Management's Response
See corrective action plan below.

**2017-003 Material Weakness**

Criteria
Student activity funds should be used to account for funds earned by students and spent by students.

Condition
We noted that meal reimbursements for extra-curricular activities were being paid out of student activity funds. It was also noted that the general fund provided $10,000 to the student body activity fund during the year ended June 30, 2017.

Effect
Student body activity funds are spending money in excess of what is being earned by the students.

Recommendation
We recommend that the student activity fund only fund items for students with funds raised by the students.

Management's Response
See corrective action plan below.

**2017-004 Material Weakness**

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

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

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

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

Management's Response
See corrective action plan below.

**Section III-Federal Award Findings**
There are no findings which are required to be reported under this section.

**School Board**
Justin Yankton,
President
ReNa Lohnes,
Vice President
Vern Lambert
Lynette Lovejoy
Doug Yankton

Four Winds Community High School
**FORT TOTTEN PUBLIC SCHOOL**
**DISTRICT #30**
P.O. BOX 239
FORT TOTTEN, NORTH DAKOTA 58335
Phone: (701)766-1476 FAX: (701)766-1475

**ADMINISTRATION**
Jeff Olson,
Superintendent
(701)766-1427
AJ Benz,
Principal
(701)766-1450
Megan Weisser,
Business Manager (701)766-1438

**Corrective Action Plan – June 30, 2017**
**2017-001**

1. Correcting Plan

The Business Manager will ensure that accounting principles generally acceptable in the United States of America are followed and financial statements are disclosed to the Fort Totten Public School Board quarterly. These reports will include a balance sheet, revenue and expense statement for all departments and funds.

2. Explanation of Disagreement with the Audit Findings

The Fort Totten Public School Board agrees with the audit findings.

3. Official Responsible for Insuring CAP

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

4. Planned Completion Date for CAP

Immediately

5. Plan to Monitor Completion of CAP

The Fort Totten Public School Board will receive their financial statements in their monthly packets along with minutes and bills to be paid. The Business Manager will communicate the financial position of the school each quarter or when requested by the Board.

**2017-002**

1. Correcting Plan

The Business Manager will review and monitor all department budgets and general ledgers to ensure that misclassifications are corrected in the general ledgers monthly. This reconciliation will be provided to program directors that will monitor proper expenditures.

2. Explanation of Disagreement with the Audit Findings

The Fort Totten Public School Board agrees with the audit findings.

3. Official Responsible for Insuring CAP

The Business Manager will be responsible for reviewing each department's general ledger and ensure all corrections are made before the Fort Totten School Board reviews the general ledgers.

4. Planned Completion Date for CAP

Immediately

5. Plan to Monitor Completion of CAP

The Fort Totten Public School Board will receive their financial statements in their monthly packets along with minutes and bills to be paid. The Business Manager will communicate the financial position of the school each quarter or when requested by the Board.

**2017-003**

1. Correcting Plan

The Business Manager will ensure that funds earned by students will be spent by students and make the necessary transfers to the student activity accounts.

2. Explanation of Disagreement with the Audit Findings

The Fort Totten Public School Board agrees with the audit findings.

3. Official Responsible for Insuring CAP

The Business Manager will be responsible to ensure that funds earned by students will be spent by students.

4. The Planned Completion Date of CAP

July 1, 2017

5. Plan to Monitor Completion of CAP

The Fort Totten Public School Board and Superintendent will ensure this corrective action plan will be completed by July 1, 2017.

**2017-004**

1. Correcting Plan

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Business Manager to receipt and deposit at the various financial institutions. The Superintendent, Building & Grounds Supervisor, Principal and Athletic Director review monthly bills before payments are made. The Board of Education reviews and approves all checks written. The District will segregate other duties when feasible.

2. Explanation of Disagreement with the Audit Findings

The Fort Totten Public School Board agrees with the audit findings.

3. Official Responsible for Insuring CAP

The Business Manager will be responsible to ensure that funds earned by students will be spent by students.

4. The Planned Completion Date of CAP

Immediately

5. Plan to Monitor Completion of CAP

The Fort Totten Public School Board will receive their financial statements in their monthly packets along with minutes and bills to be paid. The Business Manager will communicate the financial position of the school each quarter or when requested by the Board.

**FORT TOTTEN PUBLIC SCHOOL DISTRICT NO. 30**
SUMMARY OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

**2016-001**

Criteria
An appropriate system of internal controls requires that the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition
The District's auditors prepared the financial statements as of June 30, 2016. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Current year status
See finding 2017-001 above

**2016-002**

Criteria
The general ledger should be complete and accurate with reconciliations and account review analysis being performed on a monthly basis to help detect and avoid potential misstatements.

Condition
It was noted that a detailed general ledger account review analysis and reconciliation was not performed on a regular basis throughout the year ended June 30. 2016. Several reconciliations were performed subsequent to year end.

Current year status
See finding 2017-002 above.

**2016-003**

Criteria
Student activity funds should be used to account for funds earned by students and spent by students.

Condition
We noted that meal reimbursements for extra-curricular activities were being paid out of student activity funds. It was also noted that the general fund provided $10,000 to the student body activity fund during the year ended June 30, 2016.

Current year status
See finding 2017-003 above.