

AUDIT REPORT

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

EXAMINATION FOR THE YEAR ENDED
JUNE 30, 2016

EMIL R. SCHOENFISH
CERTIFIED PUBLIC ACCOUNTANT
DEVILS LAKE, NORTH DAKOTA 58301

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

School Board
North Border Public School District No. 100
Walhalla, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the North Border Public School District No. 100, Walhalla, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the North Border Public School District's basic financial statements and have issued our report thereon dated September 20, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Response to the Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Emil Schoenfisch CPA". The signature is written in black ink and is positioned in the lower right quadrant of the page.

September 20, 2016

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016

16-1 Condition: The North Border Public School District No. 100, Walhalla, North Dakota has a business managers and assistant business manager, in two separate locations, responsible for most accounting functions. The business managers collects monies, issues receipts, deposits monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial statements. The degree of internal control is limited.

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

Effect: Internal control is limited.

Recommendation: Due to the size of the School District and three separate facilities that are a distance apart, it is not feasible to obtain proper separation of duties and no action is practical.

Response: We concur with the recommendation

16-2 Condition: In lieu of the school board president signing checks manually, the school district has obtained a signature plate. This signature plate is safeguarded by the business manager, whose signature is also required on checks. This situation circumvents the dual signature control and should be reviewed.

Criteria: A measure of internal control can be accomplished with the requirement of dual signatures on school district warrants.

Effect: This internal control is circumvented.

Recommendation: The school board president's signature is often needed during the daily operation of the school district when the board president is not readily available and no action is practical.

Response: We concur with the recommendation.

September 20, 2016

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School Board
North Border Public School District No. 100
Walhalla, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the North Border Public School District No. 100, Walhalla, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the North Border Public School District No. 100, Walhalla, North Dakota, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension information on pages 6-10 and 35-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion of provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the North Border Public School District's fiscal year end June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Information

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

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

Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2016 on our consideration of North Border Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering North Border Public School District's internal control over financial reporting and compliance.

September 20, 2016



NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

Management's Discussion and Analysis

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

Financial Highlights

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

- Net position of the North Border Public School increased (decreased) \$250,128 as a result of the current years operations. This compares to an increase (decrease) of \$227,858 for the prior year.
- Governmental net position as of the end of the fiscal year totaled \$1,705,759. Of this amount, \$(3,108,833) was unrestricted. For the prior year, governmental net assets totaled \$1,455,631 and of this amount \$(2,708,603) was unrestricted.
- Total revenues from all sources were \$7,143,397 compared to \$6,923,899 for the prior year.
- Total expenditures from all sources were \$6,893,269 compared to \$6,696,041 for the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,036,202, or 30% of total general fund expenditures. For the prior year, the fund balance for the general fund was \$2,519,707, or 38% of total general fund expenditures.
- The District's general fund had \$6,851,122 in total revenues and \$6,704,627 in total expenditures. There was a total of \$(630,000) from other financing sources. Overall, the general fund balance increased (decreased) by \$(483,505) for the year ended June 30, 2016. For the prior year, the District's general fund had \$6,749,321 in total revenues and \$6,603,810 in total expenditures. There was a total of \$(249,994) from other financing sources. Overall, the general fund balance increased (decreased) by \$(104,483) for the year ended June 30, 2015.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-34 of this report.

Government-wide Financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the North Border Public School District, assets exceeded liabilities by \$1,705,759 at the close of the most recent fiscal year.

A large portion of the North Border Public Schools District's net position \$2,826,087 reflects its investment in capital assets (e.g., land, buildings, and improvements, buildings and infrastructure, machinery and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The North Border Public School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the North Border Public School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the North Border Public School District's net position \$1,988,505 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$-3,108,833 may be used to meet the school's ongoing obligations to citizens and creditors.

The school's net position increased (decreased) by \$250,128 during the current fiscal year.

**North Border Public School District Net Position
Governmental Activities**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and other assets	\$ 7,547,305	\$ 4,092,318	\$ 3,894,389
Capital assets	3,532,681	2,874,212	3,003,443
Deferred outflows	<u>1,106,759</u>	<u>410,712</u>	<u>318,502</u>
Total assets & deferred outflows	12,186,745	7,377,242	7,216,334
Long-term liabilities outstanding	9,710,404	5,115,346	5,668,136
Other liabilities	186,701	198,265	320,425
Deferred inflows	<u>583,881</u>	<u>608,000</u>	<u>-0-</u>
Total liabilities & deferred inflows	10,480,986	5,921,611	5,988,561
Net Position:			
Net Investment in Capital Assets	2,826,087	2,874,212	3,003,443
Restricted	1,988,505	1,290,022	852,845
Unrestricted	<u>(3,108,833)</u>	<u>(2,708,603)</u>	<u>(2,628,515)</u>
Total Net Position	\$ 1,705,759	\$ 1,455,631	\$ 1,227,773

Governmental activities. Governmental activities increased (decreased) the North Border Public School District's net position by \$250,128.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 99,592	\$ 96,098	\$ 98,651
Operating Grants and Contributions	855,301	688,863	848,728
Capital Grants	-0-	-0-	-0-
General Revenues:			
Property Taxes	1,750,068	1,544,072	1,577,322
State Aid - Unrestricted	4,318,703	4,485,133	4,428,356
Other	<u>119,733</u>	<u>99,837</u>	<u>65,672</u>
Total Revenues	<u>7,143,397</u>	<u>6,923,899</u>	<u>7,018,729</u>
Expenses			
Instruction	5,037,744	4,506,060	4,603,616
Support Services	1,500,771	1,795,193	1,696,436
Co-curricular Activities	235,262	248,406	269,791
Depreciation - Unallocated	<u>119,492</u>	<u>146,382</u>	<u>138,326</u>
Total Expenses	<u>6,893,269</u>	<u>6,696,041</u>	<u>6,708,169</u>
Net Change in Position	250,128	227,858	310,560
Change in Accounting Principal-GASB 68			(5,349,634)
Beginning Net Position	<u>1,455,631</u>	<u>1,227,773</u>	<u>6,266,847</u>
Ending Net Position	\$ 1,705,759	\$ 1,455,631	\$ 1,227,773

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the North Border Public School District's governmental funds reported combined ending fund balances of \$7,288,113, an increase (decrease) of \$3,478,384 in comparison with the prior year.

The general fund is the chief operating fund of the North Border Public School District. At the end of the current fiscal year, unassigned fund of the general fund was \$2,036,202 while total fund balance totaled \$2,036,202. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30% of the total general fund expenditures, while total fund balance represents 30% of that same amount.

The fund balance of the North Border Public School District's general fund increased (decreased) by \$(483,505) during the current fiscal year. The North Border Public School District budgeted an anticipated increase (decrease) in fund balance of \$(103,527).

General Fund Budgetary Highlights

During the current year, revenues were greater than (less than) budgetary estimates by \$281,863 expenditures were (greater than) less than budgetary estimates by \$(31,841), other financing sources and uses were greater than (less than) budgetary estimates by \$(630,000), and ending fund balance exceeded (was less than) budgetary estimates by \$(379,978).

During the prior year, revenues were greater than (less than) budgetary estimates by \$2,065, expenditures were (greater than) less than budgetary estimates by \$143,446, other financing sources and uses were greater than (less than) budgetary estimates by \$(249,994), and ending fund balance exceeded (was less than) budgetary estimates by \$(104,483).

Capital Assets. As of June 30, 2016, the North Border Public School District had \$3,532,681 invested in capital assets.

North Border School District's Capital Assets

(net of depreciation)

Government activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$ 58,625	\$ 58,625
Buildings and Improvements	2,977,740	2,324,652
Equipment	332,722	298,292
Vehicles	<u>163,594</u>	<u>192,643</u>
Total	\$ 3,532,681	\$ 2,874,212

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

Long-Term Debt. At the end of the current fiscal year, the North Border Public School District had debt outstanding of \$9,710,404.

North Border Public School District Outstanding Debt

Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Bonds Payable	\$ 3,970,000	\$ -0-
Net Pension Liability	\$ 5,740,404	\$ 5,115,346

For The Future

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

Requests for Information

This financial report is designed to provide a general overview of the North Border Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager, 605 10th Street, North Border Public School District, Walhalla, ND 58271.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES:		
Cash and Cash Equivalents	\$ 4,044,638	\$ 3,791,029
Taxes Receivable	72,491	84,324
Due from Other Governments	3,430,176	216,965
Capital Assets:		
Land, Improvements and Construction in Progress		
Other Capital Assets, Net of Depreciation	3,532,681	2,874,212
Deferred Outflow of Resources	1,106,759	410,712
	-----	-----
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 12,186,745	\$ 7,377,242
 LIABILITIES AND DEFERRED INFLOW OF RESOURCES:		
Accounts Payable	\$ 129,216	\$ 138,285
Employee Benefits Payable	57,485	59,980
Noncurrent Liabilities:		
Due in Less than One Year	95,000	-0-
Due in More than One Year	3,875,000	-0-
Net Pension Liability	5,740,404	5,115,346
Deferred Inflow of Resources	583,881	608,000
	-----	-----
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	10,480,986	5,921,611
 NET POSITION:		
Net Investment in Capital Assets	2,826,087	2,874,212
Restricted for:		
Food Service	412,007	388,372
Special Reserve	363,859	363,678
Capital Outlay	1,212,639	537,972
Unrestricted (Deficit)	(3,108,833)	(2,708,603)
	-----	-----
TOTAL NET POSITION	1,705,759	1,455,631
 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	 \$ 12,186,745	 \$ 7,377,242

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES 2016</u>	<u>2015</u>
Primary Government:						
Governmental Activities:						
Instruction	\$ (5,037,744)		\$ 778,108		\$ (4,259,636)	\$ (3,904,177)
Support Services	(1,500,771)	\$ 99,592	77,193		(1,323,986)	(1,612,115)
Co-curricular Activities	(235,262)				(235,262)	(248,406)
Depreciation-unallocated	(119,492)				(119,492)	(146,382)
Total Primary Government	(6,893,269)	99,592	855,301	-0-	(5,938,376)	(5,911,080)
			General Revenues:			
			Property Taxes		1,745,038	1,544,072
			Revenue from State Sources:			
			State Foundation Aid		4,318,703	4,485,133
			Revenue from Federal Sources:			
			Revenue In Lieu of Taxes		5,030	9,896
			Other General Revenues		119,733	99,837
			Total General Revenues		6,188,504	6,138,938
			Change in Net Position		250,128	227,858
			Net Position - Beginning		1,455,631	1,227,773
			NET POSITION - ENDING		\$ 1,705,759	\$ 1,455,631

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(2015 column for comparative purposes only)

	GENERAL FUND	FOOD SERVICE FUND	SPECIAL RESERVE FUND	BUILDING FUND	TOTAL GOVERNMENTAL FUNDS	
<u>ASSETS:</u>					2016	2015
Cash and Cash Equivalents	\$ 2,060,074	\$ 412,007	\$ 363,859	\$ 1,208,698	\$ 4,044,638	\$ 3,791,029
Taxes Receivable	67,464			5,027	72,491	84,324
Due From Other Governments	162,829			3,267,347	3,430,176	216,965
TOTAL ASSETS	<u>\$ 2,290,367</u>	<u>\$ 412,007</u>	<u>\$ 363,859</u>	<u>\$ 4,481,072</u>	<u>\$ 7,547,305</u>	<u>\$ 4,092,318</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 129,216				\$ 129,216	\$ 138,285
Employee Benefits Payable	57,485				57,485	59,980
<u>Deferred Inflows of Resources:</u>						
Uncollected Taxes	67,464			\$ 5,027	72,491	84,324
Total Liabilities & Deferred Inflows of Resources	<u>254,165</u>	<u>-0-</u>	<u>-0-</u>	<u>5,027</u>	<u>259,192</u>	<u>282,589</u>
<u>Fund Balances:</u>						
Fund Balances:						
Restricted for Food Service		412,007			412,007	388,372
Restricted for Special Reserve			363,859		363,859	363,678
Restricted for Capital Projects				4,476,045	4,476,045	537,972
Unassigned	2,036,202				2,036,202	2,519,707
Total Fund Balances	<u>2,036,202</u>	<u>412,007</u>	<u>363,859</u>	<u>4,476,045</u>	<u>7,288,113</u>	<u>3,809,729</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,290,367</u>	<u>\$ 412,007</u>	<u>\$ 363,859</u>	<u>\$ 4,481,072</u>	<u>\$ 7,547,305</u>	<u>\$ 4,092,318</u>

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

	<u>2016</u>	<u>2015</u>
Total Fund Balances - Governmental Funds	\$ 7,288,113	\$ 3,809,729
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,532,681	2,874,212
Assets such as Deferred Outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	1,106,759	410,712
Liabilities such as Deferred Inflows are not due and payable in the current period and therefore are not reported in the funds.	(583,881)	(608,000)
Net pension liability for the Teachers Fund for Retirement are not due and payable in the current period and therefore are not reported in the funds.	(5,740,404)	(5,115,346)
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(3,970,000)	-0-
Assets such as taxes receivable and special assessment receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	72,491	84,324
Net Position - Governmental Funds	<u>\$ 1,705,759</u>	<u>\$ 1,455,631</u>

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

	GENERAL FUND	FOOD SERVICE FUND	SPECIAL RESERVE FUND	BUILDING FUND	TOTAL FUNDS	
<u>REVENUES</u>					<u>2016</u>	<u>2015</u>
Local Sources:						
Property Taxes	\$ 1,630,007			\$ 126,864	\$ 1,756,871	\$ 1,556,677
Charges for Services		\$ 99,592			99,592	96,098
Other Revenue	119,274		\$ 181	278	119,733	99,837
State Sources:						
Grants-In-Aid: Unrestricted	4,318,703				4,318,703	4,485,133
Grants-In-Aid: Restricted	582,939	2,253			585,192	393,425
Federal Sources:						
Revenue In Lieu of Taxes	5,030				5,030	9,896
Grants-In-Aid: Restricted Received Through DPI	195,169	74,940			270,109	295,438
TOTAL REVENUES	<u>6,851,122</u>	<u>176,785</u>	<u>181</u>	<u>127,142</u>	<u>7,155,230</u>	<u>6,936,504</u>
<u>EXPENDITURES</u>						
Current:						
Regular Programs	3,089,256				3,089,256	2,871,572
Federal Programs	191,894				191,894	210,041
Instructional Media	145,880				145,880	170,867
School Board	214,081				214,081	197,735
Administration	165,209				165,209	160,772
Operation and maintenance of plant	559,022				559,022	661,597
Other Support Service	6,722				6,722	3,800
Student Transportation	190,399				190,399	197,374
Extracurricular Activities	235,262				235,262	248,406
Childhood Education	34,319				34,319	31,874
Food Services	165,125	153,150			318,275	307,511
Tuition	23,255				23,255	12,494
Self Funded Insurance					-0-	250,000
Special Education	1,405,887				1,405,887	1,086,468
Vocational Education	276,680				276,680	191,618
Debt Service:						
Principal					-0-	-0-
Interest	1,636				1,636	1681
Capital Outlay				789,069	789,069	-0-
TOTAL EXPENDITURES	<u>6,704,627</u>	<u>153,150</u>	<u>-0-</u>	<u>789,069</u>	<u>7,646,846</u>	<u>6,603,810</u>
Excess of Revenues Over (Under) Expenditures	146,495	23,635	181	(661,927)	(491,616)	332,694
<u>OTHER FINANCING SOURCES</u>						
Bond Proceeds				3,970,000	3,970,000	-0-
Transfers In				630,000	630,000	250,000
Transfers Out	(630,000)				(630,000)	(250,000)
Net Changes in Fund Balances	(483,505)	23,635	181	3,938,073	3,478,384	332,694
Fund Balance - July 1	2,519,707	388,372	363,678	537,972	3,809,729	3,477,035
FUND BALANCE - JUNE 30	<u>\$ 2,036,202</u>	<u>\$ 412,007</u>	<u>\$ 363,859</u>	<u>\$ 4,476,045</u>	<u>\$ 7,288,113</u>	<u>\$ 3,809,729</u>

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 3,478,384	\$ 332,694
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	658,469	(129,231)
Government funds report deferred outflows as expenditures however, in the statement of activities these costs do not require the use or provide a source of financial resources.	696,047	92,210
Government funds report deferred inflows as revenue however, in the statement of activities these inflows do not require the use or provide a source of financial resources.	24,119	(608,000)
Reduction or Increase of the Net Pension Liability does not require the use or provide a source of financial resources.	(625,058)	552,790
Governmental funds report debt retirement as expenditures however, in the statement of activities this cash outlay is not an expenditure but a reduction to a liability on the statement of net position.	(3,970,000)	-0-
Revenue from property taxes is deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when levied in the government-wide financial statements.	(11,833)	(12,605)
Change in Net Position of Governmental Activities	<u>\$ 250,128</u>	<u>\$ 227,858</u>

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

	AGENCY FUND	
	2016	2015
ASSETS:		
Cash	\$ 450,454	\$ 441,946
	-----	-----
TOTAL ASSETS	\$ 450,454	\$ 441,946
	=====	=====
 LIABILITIES:		
Amounts Held For Student Groups	\$ 138,936	\$ 134,658
Amounts Held For Self-Funded Insurance Fund	311,518	307,288
	-----	-----
Total Liabilities	450,454	441,946
	-----	-----
 NET POSITION:		
 TOTAL LIABILITIES AND NET POSITION	 \$ 450,454	 \$ 441,946
	=====	=====

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

The School Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. Generally accepted accounting principles require that the financial statements of the reporting entity include those of the School District (the primary government) and its component units. A component unit would be included in the School District's reporting entity because of the significance of their operational or financial relationship with the School District. The criteria established by GSAB Statement No. 14 in determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the school district to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the school district. The School District has no component units as defined in GASB Statement No. 14 which should be included in the reporting entity.

North Border Public School District Building Authority - The building authority was created by the school board as a legally separate entity. Its purpose is to promote the educational system of the district by providing financing for use by the school in altering, repairing, maintaining, or constructing buildings and making any improvements connected to school buildings. The school board is the governing board of the building authority.

B. Basis of Presentation

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

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

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

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS:

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

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

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

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

FIDUCIARY FUNDS:

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

Following is a list of the major funds:

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

C. Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

D. Cash and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

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

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

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

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

E. Capital Assets

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

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

Government-Wide Statements

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

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	Straight-Line	-----
Buildings & Improvements	5,000	Straight-Line	25-50 years
Equipment	5,000	Straight-Line	10-25 years
Vehicles	5,000	Straight-Line	10 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

F. Long-Term Liabilities

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

G. Compensated Absences

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

H. Fund Equity

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

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

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

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

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

I. Order of Fund Balance Spending Policy

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

J. Prior Year Comparative Total Columns

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

NOTE 2: DEPOSITS AND INVESTMENTS

At June 30, 2016 the School District had deposits of \$4,495,092.85. District deposits at balance sheet date were covered by federal depository insurance or pledge of governmental securities. Securities pledged were held by the entity or its agent in the entity's name (Category II assets). North Dakota statutes require the market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance. District deposits were adequately protected.

NOTE 3: TAXES RECEIVABLE

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

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

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

NOTE 4: CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015, is as follows:

Capital Assets:	<u>7-01-15</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-16</u>
Land	\$ 58,625			\$ 58,625
Buildings & Improvements	11,755,162	\$ 726,332		12,481,494
Equipment	514,882	80,678		595,560
Vehicles	290,492			290,492
Totals	<u>12,619,161</u>	<u>807,010</u>	<u>-0-</u>	<u>13,426,171</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	9,430,510	73,244		9,503,754
Equipment	216,590	46,248		262,838
Vehicles	97,849	29,049		126,898
Totals	<u>9,744,949</u>	<u>148,541</u>	<u>-0-</u>	<u>9,893,490</u>
Government Activity Net Capital Assets	<u>\$ 2,874,212</u>	<u>\$ 658,469</u>	<u>\$ -0-</u>	<u>\$ 3,532,681</u>

Depreciation was charged to functions as follows:

Governmental Activities:	<u>2016</u>	<u>2015</u>
Support Services	\$ 29,049	\$ 26,849
Depreciation - Unallocated	119,492	146,382
Total Depreciation Expense - Governmental Activities	<u>\$ 148,541</u>	<u>\$ 173,231</u>

NOTE 5: GENERAL LONG-TERM DEBT

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

	<u>BONDS</u> <u>PAYABLE</u>
Debt Payable July 1	\$ -0-
Debt Issued	3,970,000
Debt Retired	-0-
Debt Payable June 30	<u>\$ 3,970,000</u>
Due within one year	<u>\$ 95,000</u>

Debt payable at June 30, 2016 is comprised of the following individual issues:

\$3,970,000 North Border Public School District Building Authority Lease Revenue Bonds, Series 2015, for construction. The bonds call for annual principal payments of \$95,000 to \$265,000 from August 1, 2016 through August 1, 2035 and interest at 2% to 3.6%.
\$3,970,000

The annual requirements to amortize all debt outstanding as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 95,000	\$ 124,480	\$ 219,480
2018	160,000	109,670	269,670
2019	165,000	106,420	271,420
2020	170,000	103,070	273,070
2021	170,000	99,670	269,670
2022	175,000	96,220	271,220
2023	180,000	92,490	272,490
2024	185,000	88,290	273,290
2025	185,000	83,295	268,295
2026	195,000	77,595	272,595
2027	200,000	71,670	271,670
2028	205,000	65,595	270,595
2029	210,000	59,370	269,370
2030	215,000	52,995	267,995
2031	225,000	46,170	271,170
2032	230,000	38,890	268,890
2033	240,000	31,130	271,130
2034	245,000	22,885	267,885
2035	255,000	14,130	269,130
2036	265,000	4,770	269,770
TOTAL	<u>\$ 3,970,000</u>	<u>\$ 1,388,805</u>	<u>\$ 5,358,805</u>

The school district is in compliance with all bond covenants.

NOTE 6: DEFERRED INFLOWS OF RESOURCES

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

NOTE 7: EMPLOYEE RETIREMENT SYSTEMS

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

General Information about North Dakota Teachers' Fund for Retirement

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

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

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

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

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

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

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

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

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

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

Death and Disability Benefits

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

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

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

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

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

At June 30, 2016, the Employer reported a liability of \$5,411,761 (from Exhibit E Column 2 in TFFR GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015 the Employer's proportion was .413789%, (from Exhibit E, Column 1 in TFFR GASB Report) which was an increase or (decrease) of (.042957) from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the Employer recognized pension expense of \$287,886 (from Exhibit E, Column 13 of TFFR GASB Report). At June 30, 2016 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Exhibit E, Columns 14-22 of TFFR GASB Report with the exception of employer contributions subsequent to the measurement date):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 35,463	\$ -0-
Changes of assumptions	607,648	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	61,025
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	426,690
Employer contributions subsequent to the measurement date (see below)	368,366	-0-
	-----	-----
Total	\$ 1,011,477	\$ 487,715
	=====	=====

\$368,366 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (employer's subsequent fiscal year-end).

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

Year ended June 30:	
2017	\$ (9,050)
2018	(9,050)
2019	(9,050)
2020	114,089
2021	36,991
Thereafter	31,466

Actuarial assumptions

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

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

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

Current Discount
1% Decrease(6.75%) Rate (7.75%) 1% Increase (8.75%)

Employer's proportionate share of the net pension liability	\$7,151,898	\$5,411,761	\$3,960,523
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Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report.

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

General Information about North Dakota Public Employees Retirement System (Main System)
The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no 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). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, 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 NDPERS in the North Dakota Administrative Code.

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

Member and Employer Contributions

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

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

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

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

At June 30, 2016 (employer's fiscal year end), the Employer reported a liability of \$328,643 (from Section 4, Appendix B for Main System, column 4 in NDPERS GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, (date of NDPERS GASB Report) 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 Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015 (date of NDPERS GASB Report) the Employer's proportion was .048331 percent, (from Section 4, Appendix B for Main System, Column 3 in NDPERS GASB Report) which was an increase or (decrease) of (.003575) from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 (employer's fiscal year-end) the Employer recognized pension expense of \$27,057 (from Section 4, Appendix B for Main System, Column 15 of NDPERS GASB Report). At June 30, 2016 (employer's fiscal year-end) the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Section 4, Appendix C for Main System, Columns 3-12 of NDPERS GASB Report with the exception of employer contributions subsequent to the measurement date):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 9,534	\$ -0-
Changes of assumptions	-0-	29,281
Net difference between projected and actual earnings on pension plan investments	37,974	44,912
Changes in proportion and differences between employer contributions and proportionate share of contributions	700	21,973
Employer contributions subsequent to the measurement date (see below)	47,074	-0-
Total	<u>\$ 95,282</u>	<u>\$ 96,166</u>

\$47,074 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (employer's subsequent fiscal year-end).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (from Section 4, Exhibit C for Main System, Columns 13-18 of NDPERS GASB Report). Years will need to be rolled forward one year from the dates in the report:

Year ended June 30:	
2017	\$ (13,169)
2018	(13,169)
2019	(13,169)
2020	1,166
2021	(9,611)
Thereafter	-0-

Actuarial assumptions

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages 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 set back 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report.

For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate: (from Section 4, Appendix B for Main System, Columns 6-8 of NDPERS GASB Report)

	Current Discount		
	1% Decrease(7%)	Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$503,957	\$328,643	\$185,204

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

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

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

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

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

NOTE 9: INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2016 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$ 630,000
Building	\$ 630,000	
	-----	-----
Total	\$ 630,000	\$ 630,000
	=====	=====

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is complete.

NOTE 10: EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures exceeded the budget in the General Fund by \$31,841. No remedial action is anticipated or required by the School District regarding these excess expenditures.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>BUDGET BASIS ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
Local Sources	\$ 1,560,578	\$ 1,560,578	\$ 1,749,281	\$ 188,703
State Sources	4,812,392	4,812,392	4,901,642	89,250
Federal Sources	196,289	196,289	200,199	3,910
TOTAL REVENUES	<u>6,569,259</u>	<u>6,569,259</u>	<u>6,851,122</u>	<u>281,863</u>
<u>EXPENDITURES</u>				
Current:				
Regular Programs	3,102,477	3,102,477	3,089,256	13,221
Federal Programs	188,042	188,042	191,894	(3,852)
Instructional Media	147,068	147,068	145,880	1,188
School Board	221,333	221,333	214,081	7,252
Administration	170,231	170,231	165,209	5,022
Operation and Maintenance of Plant	631,224	631,224	559,022	72,202
Other Support Service	4,000	4,000	6,722	(2,722)
Student Transportation	196,333	196,333	190,399	5,934
Extracurricular Activities	248,258	248,258	235,262	12,996
Childhood Education	-0-	-0-	34,319	(34,319)
Debt Service	-0-	-0-	1,636	(1,636)
Food Services	167,040	167,040	165,125	1,915
Tuition	12,000	12,000	23,255	(11,255)
Special Education	1,294,728	1,294,728	1,405,887	(111,159)
Vocational Education	290,052	290,052	276,680	13,372
TOTAL EXPENDITURES	<u>6,672,786</u>	<u>6,672,786</u>	<u>6,704,627</u>	<u>(31,841)</u>
Excess of Revenues Over (Under) Expenditures	<u>(103,527)</u>	<u>(103,527)</u>	146,495	250,022
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-0-	-0-	-0-	-0-
Transfer Out	-0-	-0-	(630,000)	(630,000)
Fund Balance - July 1	<u>2,519,707</u>	<u>2,519,707</u>	<u>2,519,707</u>	<u>-0-</u>
FUND BALANCE - JUNE 30	<u>\$ 2,416,180</u>	<u>\$ 2,416,180</u>	<u>\$ 2,036,202</u>	<u>\$ (379,978)</u>

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

North Border Public School District No. 100
Walhalla, North Dakota

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

	<u>2016</u>	<u>2015</u>
1. Employer's proportion of the net pension liability (asset). Exhibit E, Column 1	.413789%	.456746%
2. Employer's proportionate share of the net pension liability (asset). Exhibit E, Column 2	\$ 5,411,761	\$ 4,785,888
3. Employer's covered-employee payroll. Exhibit E, Column 3	\$ 2,545,237	\$ 2,649,367
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll. Calculate, 2 divided by 3	212.62%	180.64%
5. Plan fiduciary net position as a percentage of the total pension liability. Exhibit 2	62.1%	66.6%

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

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

North Border Public School District No. 100
Walhalla, North Dakota

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

	<u>2016</u>	<u>2015</u>
1. Statutorily required contribution Exhibit E, Column 7	\$ 324,502	\$ 284,805
2. Contributions in relation to the statutorily required contribution Exhibit E, Column 8	\$ (324,502)	\$ (284,805)
3. Contribution deficiency (excess) Exhibit E, Column 9	\$ -0-	\$ -0-
4. Employer's covered-employee payroll Exhibit E, Column 3	\$ 2,545,237	\$ 2,649,367
5. Contributions as a percentage of covered-employee payroll Exhibit E, Column 10	12.75%	10.75%

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

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

North Border Public School District No. 100
Walhalla, North Dakota

Schedule of Employer's Share of Net Pension Liability
ND Public Employee Retirement System
Last 10 Fiscal Years*
June 30, 2016

(from Section 2 Exhibit 2 and Section 4 Appendix B for Main System of NDPERS GASB Report)

	<u>2016</u>	<u>2015</u>
1. Employer's proportion of the net pension liability (asset). Section 4 Appendix B Column 3	.048331%	.051906%
2. Employer's proportionate share of the net pension liability (asset). Section 4 Appendix B Column 4	\$ 328,643	\$ 329,458
3. Employer's covered-employee payroll. Section 4 Appendix B Column 5	\$ 430,571	\$ 437,249
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll. Calculate, 2 divided by 3	76.33%	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability. Section 2 Exhibit 2 for Main System	77.70%	72.12%

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

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

North Border Public School District No. 100
Walhalla, North Dakota

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*
June 30, 2016

(from Section 4, Appendix B for Main System of NDPERS GASB Report)

	<u>2016</u>	<u>2015</u>
1. Statutorily required contribution. Column 9	\$ 32,705	\$ 31,132
2. Contributions in relation to the statutorily required contribution. Column 10	\$ (33,546)	\$ (31,132)
3. Contribution deficiency (excess). Column 11	\$ (841)	-0-
4. Employer's covered-employee payroll. Column 5	\$ 430,571	\$ 437,249
5. Contributions as a percentage of covered-employee payroll. Column 12	7.60%	7.12%

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

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

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2: CHANGES OF ASSUMPTIONS

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

Regarding the ND Public Employees Retirement System amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

	<u>BALANCE</u> <u>7-01-15</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>6-30-16</u>
<u>GENERAL FUND TYPE</u>				
General Fund	\$ 2,501,007.02	\$ 6,905,258.93	\$ 7,346,191.60	\$ 2,060,074.35
<u>SPECIAL REVENUE FUND TYPE</u>				
Food Service Fund	388,372.09	176,785.30	153,150.02	412,007.37
Special Reserve Fund	363,677.88	181.43	-0-	363,859.31
<u>CAPITAL PROJECTS FUND TYPE</u>				
Building Fund	537,972.07	1,413,708.92	742,982.88	1,208,698.11
<u>AGENCY FUND TYPES</u>				
Student Activity Fund	134,657.78	158,009.08	153,730.86	138,936.00
Self-Funded Insurance Fund	307,288.48	426,639.05	422,409.82	311,517.71
	-----	-----	-----	-----
TOTAL ALL FUNDS	\$ 4,232,975.32	\$ 9,080,582.71	\$ 8,818,465.18	\$ 4,495,092.85
	=====	=====	=====	=====

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

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

<u>FEDERAL GRANTOR \ PASS-THROUGH GRANTOR \ PROGRAM TITLE</u>	<u>FEDERAL</u>	<u>PASS THROUGH GRANTOR'S</u>	<u>EXPENDITURES</u>
	<u>CFDA NUMBER</u>	<u>NUMBER</u>	<u>2016</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Public Instruction:			
Title I	84.010	PII017	\$ 85,253.00
Title IIA	84.281	PII046	52,645.00
Passed Through North Valley Area Career & Tech Center:			
21 st Century	84.287	NONE	53,762.94
Passed Through North Valley Area Career & Tech Center:			
Vocational Education (Carl Perkins Grant)	84.048	NONE	3,508.04
Total U. S. Department of Education			----- 195,168.98 -----
 <u>U. S. Department of Agriculture</u>			
Passed Through State Department of Public Instruction:			
School Lunch Program	10.555	PII006	69,940.00
Fresh Fruits & Vegetables Program	10.582	PII009	5,000.25
Commodities	10.567	PII014	19,980.47
Total U. S. Department of Agriculture			----- 94,920.72 -----
 TOTAL FEDERAL FINANCIAL ASSISTANCE			 \$ 290,089.70 =====

NORTH BORDER PUBLIC SCHOOL DISTRICT NO. 100
WALHALLA, NORTH DAKOTA

SCHOOL DISTRICT OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2016

Mike Gapp
Tina Dorian

Board President
Board Vice-President

Daryl Berg
Jeff Carson
Jared Hanson
Deanna Newell
Mason Peters

Board Member
Board Member
Board Member
Board Member
Board Member

Paul Stremick

Superintendent

Lori Lorz

Business Manager