

AUDIT REPORT

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

EXAMINATION FOR THE YEARS ENDED  
JUNE 30, 2016 AND 2015

EMIL R. SCHOENFISH  
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DEVILS LAKE, NORTH DAKOTA 58301

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, 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 Central Area Career and Technology Center  
Rugby, 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 Central Area Career and Technology Center, Rugby, North Dakota, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the North Central Area Career and Technology Center's basic financial statements and have issued our report thereon dated November 11, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Central Area Career and Technology Center'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 Central Area Career and Technology Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Central Area Career and Technology Center'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

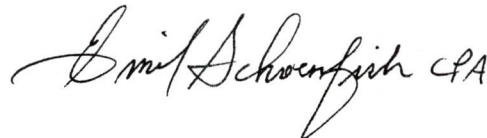
As part of obtaining reasonable assurance about whether North Central Area Career and Technology Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 Central Area Career and Technology Center's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. North Central Area Career and Technology Center'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.



November 11, 2016

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEARS ENDED JUNE 30, 2016 AND 2015

16-1 Condition: The North Central Area Career and Technology Center Rugby, North Dakota has one business manager responsible for most accounting functions. The business manager collects monies, issues receipts, deposits monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial statements. The degree of internal control is limited.

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

Effect: Internal control is limited.

Recommendation: Due to the size of the North Central Area Career and Technology Center 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 board president signing checks manually, the center has a signature plate. This signature plate is under the control of 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 board president's signature is often needed during the daily operation of the school district when the board president is not readily available. Due to the size of the district and distance the board president has to travel, it is not feasible to eliminate the use of a signature stamp. Other controls in place by the center reduce the problems associated with this circumvention and no additional action is practical.

Response: We concur with the recommendation.

November 11, 2016

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## INDEPENDENT AUDITOR'S REPORT

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School Board  
North Central Area Career and Technology Center  
Rugby, 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 Central Area Career and Technology Center, Rugby, North Dakota, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Center'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 Central Area Career and Technology Center, Rugby, North Dakota, as of June 30, 2016 and 2015, and the respective changes in financial position, for the years then ended in accordance with accounting principles generally accepted in the United States of America.



## 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 schedules, and pension information on pages 6-10 and 28-32 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Central Area Career and Technology Center'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 November 11, 2016 on our consideration of North Central Area Career and Technology Center'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 Central Area Career and Technology Center's internal control over financial reporting and compliance.



November 11, 2016

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

**Management's Discussion and Analysis**

The Management's Discussion and Analysis (MD&A) of North Central Area Career and Technology Center financial performance provides an overall review of the Center's financial activities for the fiscal years ended June 30, 2016 and 2015. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements, which can be found on pages 11-17 of this report.

**Financial Highlights**

Key financial highlights for the fiscal year 2015-2016 and 2014-2015 are as follows:

- Net position of the North Central Area Career and Technology Center increased (decreased) \$22,646 as a result of the current years operations. This compares to an increase (decrease) of \$29,834 for the prior year.
- Governmental net position as of the end of the fiscal year totaled \$(123,338). Of this amount, \$(189,195) was unrestricted. For the prior year, governmental net assets totaled \$(145,984) and of this amount \$(231,511) was unrestricted.
- Total revenues from all sources were \$277,870 compared to \$292,725 for the prior year.
- Total expenditures from all sources were \$255,224 compared to \$262,891 for the prior year.
- At the end of the current fiscal year, the unreserved and undesignated fund balance for the general fund was \$68,871, or 29% of total general fund expenditures. For the prior year, the unreserved and undesignated fund balance for the general fund was \$30,624, or 12% of total general fund expenditures.
- The District's general fund had \$277,870 in total revenues and \$239,623 in total expenditures. There was a total of \$-0- from other financing sources. Overall, the general fund balance increased (decreased) by \$38,247 for the year ended June 30, 2016. For the prior year, the District's general fund had \$292,725 in total revenues and \$251,405 in total expenditures. There was a total of \$-0- from other financing sources. Overall, the general fund balance increased (decreased) by \$41,320 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 Central Area Career and Technology Center's basic financial statements. The North Central Area Career and Technology Center 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 Central Area Career and Technology Center's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the North Central Area Career and Technology Center'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 Central Area Career and Technology Center 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 Central Area Career and Technology Center that are principally supported by taxes and intergovernmental revenues (government activities).

The governmental activities of the North Central Area Career and Technology Center 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 11-13 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 Central Area Career and Technology Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the North Central Area Career and Technology Center 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 Central Area Career and Technology Center maintains 1 individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The North Central Area Career and Technology Center 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 14-17 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 Central Career and Technology Center's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**North Central Area Career and Technology Center's Changes in Net Position  
As of June 30, 2016, 2015, and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
<u>Program Revenues:</u>			
Charges for Services	\$ 178,167	\$ 162,808	\$ 135,896
<u>General Revenues:</u>			
State Sources	99,660	129,554	63,946
Interest Income	6	1	4
Other	<u>37</u>	<u>362</u>	<u>390</u>
Total Revenues	<u>277,870</u>	<u>292,725</u>	<u>200,236</u>
<b>Expenses</b>			
Instruction	107,979	111,515	129,410
Executive Administration	127,575	131,706	116,617
Depreciation	<u>19,670</u>	<u>19,670</u>	<u>18,193</u>
Total Expenses	<u>255,224</u>	<u>262,891</u>	<u>264,220</u>
Net Change in Position	22,646	29,834	(63,984)
Prior Period Adjustment - GASB 68			(260,319)
Beginning Net Position	<u>(145,984)</u>	<u>(175,818)</u>	<u>148,485</u>
Ending Net Position	\$ (123,338)	\$ (145,984)	\$ (175,818)

**Financial Analysis of the Government's Funds**

As noted earlier, the North Central Area Career and Technology Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the North Central Area Career and Technology Center'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 Central Area Career and Technology Center's financing requirements. In particular, *unreserved* 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 Central Area Career and Technology Center's governmental funds reported combined ending fund balances of \$68,871, an increase (decrease) of \$38,247 in comparison with the prior year.

The general fund is the chief operating fund of the North Central Area Career and Technology Center. At the end of the current fiscal year, unreserved fund of the general fund was \$68,871 while total fund balance totaled \$68,871. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29% of the total general fund expenditures, while total fund balance represents 29% of that same amount.

The fund balance of the North Central Area Career and Technology Center's general fund increased (decreased) by \$38,247 during the current fiscal year. The North Central Area Career and Technology Center budgeted an anticipated increase (decrease) in fund balance of \$(16,592).



### General Fund Budgetary Highlights

During the current year, revenues were greater than (less than) budgetary estimates by \$38,665, expenditures were (greater than) less than budgetary estimates by \$16,174, other financing sources and uses were greater than (less than) budgetary estimates by \$-0-, and ending fund balance exceeded (was less than) budgetary estimates by \$54,839.

During the prior year, revenues were greater than (less than) budgetary estimates by \$42,314, expenditures were (greater than) less than budgetary estimates by \$4,951, other financing sources and uses were greater than (less than) budgetary estimates by \$-0-, and ending fund balance exceeded (was less than) budgetary estimates by \$47,265.

### Capital Assets

As of June 30, 2016, the North Central Area Career and Technology Center had \$65,857 invested in capital assets.

#### North Central Area Career and Technology Center's Capital Assets

(net of depreciation)  
Government activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Equipment	\$ 54,777	\$ 72,970
Vehicles	<u>11,080</u>	<u>12,557</u>
Total	\$ 65,857	\$ 85,527

Additional information on the North Central Area Career and Technology Center's capital assets can be found in note 4 on page 22 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the North Central Area Career and Technology Center had total debt outstanding of \$305,293.

#### North Central Area Career and Technology Center's Outstanding Debt

Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contracts Payable	\$ -0-	\$ 5,100
Net Pension Liability	\$ 305,293	\$ 248,963

### For The Future

The North Central Area Career and Technology Center has benefited from adequate support of member school districts. The Center has also benefited from continued funding from the State of North Dakota. These elements have enabled the Center to meet many of its instructional and administrative staffing needs.

### Requests for Information

This financial report is designed to provide a general overview of the North Central Area Career and Technology Center'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, North Central Area Career and Technology Center, 1123 S Main, Rugby, ND 58368.

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

STATEMENT OF NET POSITION  
JUNE 30, 2016 and 2015

	Primary Government Governmental Activities	
	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>		
Cash and Cash Equivalents	\$ 27,623	\$ 9,849
Accounts Receivable	42,058	21,554
Capital Assets:		
Land, Improvements and Construction in Progress		
Other Capital Assets, Net of Depreciation	65,857	85,527
Deferred Outflows of Resources	54,812	20,211
	\$ 190,350	\$ 137,141
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES:</b>		
Accounts Payable	\$ 810	779
Noncurrent Liabilities:		
Due in Less than One Year	-0-	5,100
Due in More than One Year	-0-	-0-
Net Pension Liability	305,293	248,963
Deferred Inflows of Resources	7,585	28,283
	313,688	283,125
<b>NET POSITION:</b>		
Net Investment in Capital Assets	65,857	85,527
Unrestricted (Deficit)	(189,195)	(231,511)
	(123,338)	(145,984)
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 190,350</b>	<b>\$ 137,141</b>

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

NORTH CENTRAL CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

<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</u>
Primary Government:					
Governmental Activities:					
Instruction	\$ (107,979)	\$ 103,917			\$ (4,062)
Executive Administration	(127,575)	74,250			(53,325)
Depreciation-unallocated	(19,670)				(19,670)
Total Primary Government	(255,224)	178,167	-0-	-0-	(77,057)
			Revenue from State Sources:		
			Career & Tech Education		99,660
			Other General Revenues		43
			Total General Revenues		99,703
			Change in Net Position		22,646
			Net Position - Beginning		(145,984)
			NET POSITION - ENDING		(123,338)

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



NORTH CENTRAL CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

<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</u>
Primary Government:					
Governmental Activities:					
Instruction	\$ (111,515)	\$ 91,787			\$ (19,728)
Executive Administration	(131,706)	71,021			(60,685)
Depreciation-unallocated	(19,670)				(19,670)
Total Primary Government	(262,81)	162,808	-0-	-0-	(100,083)
			Revenue from State Sources:		
			Career & Tech Education		129,554
			Other General Revenues		363
			Total General Revenues		129,917
			Change in Net Position		29,834
			Net Position - Beginning		(175,818)
			NET POSITION - ENDING		(145,984)

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

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016 and 2015

<u>ASSETS:</u>	GENERAL FUND	
	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$ 27,623	\$ 9,849
Accounts Receivable	42,058	21,554
TOTAL ASSETS	\$ 69,681	\$ 31,403
<u>LIABILITIES &amp; FUND BALANCES</u>		
<u>Liabilities:</u>		
Accounts Payable	\$ 810	\$ 779
Total Liabilities	810	779
<u>Fund Balances:</u>		
Unreserved:		
Undesignated	68,871	30,624
Total Fund Balances	68,871	30,624
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,681	\$ 31,403

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

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Total Fund Balances - Governmental Funds	\$ 68,871	\$ 30,624
	-----	-----
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	65,857	85,527
	-----	-----
Assets such as Deferred Outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	54,812	20,211
	-----	-----
Liabilities such as Deferred Inflows are not due and payable in the current period and therefore are not reported in the funds.	(7,585)	(28,283)
	-----	-----
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.	(305,293)	(248,963)
	-----	-----
Long-term liabilities, including contracts payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	-0-	(5,100)
	-----	-----
Net Position - Governmental Funds	<u>(123,338)</u>	<u>(145,984)</u>

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

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016 and 2015

<u>REVENUES</u>	<u>GENERAL FUND</u>	
	<u>2016</u>	<u>2015</u>
Local Sources:		
Tuition Fees	\$ 33,300	\$ 17,400
Program Fees	22,113	27,000
Membership Fees	74,250	71,021
Services Provided Other Districts	48,504	47,387
Miscellaneous	37	362
Interest Income	6	1
State Sources:		
Grants-In-Aid: Unrestricted	99,660	129,554
	-----	-----
TOTAL REVENUES	277,870	292,725
	-----	-----
 <u>EXPENDITURES</u>		
Current:		
CTE - Agriculture	4,800	-0-
CTE - Marketing	600	-0-
CTE - Health Careers	37,749	37,558
CTE - Family & Consumer Science	-0-	4,500
CTE - Business & Office	600	-0-
CTE - Construction Trades	-0-	8,400
CTE - Welding	68,299	69,241
Executive Administration	122,413	126,706
Debt Service	5,162	5,000
	-----	-----
TOTAL EXPENDITURES	239,623	251,405
	-----	-----
Excess of Revenues Over (Under) Expenditures	38,247	41,320
	-----	-----
Net Changes in Fund Balances	38,247	41,320
Fund Balance - July 1	30,624	(10,696)
	-----	-----
FUND BALANCE - JUNE 30	\$ 68,871	\$ 30,624
	=====	=====

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

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 38,247	\$ 41,320
	-----	-----
Amounts reported for governmental activities in the statement of 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.	(19,670)	(19,670)
	-----	-----
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.	34,601	5,395
	-----	-----
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.	20,698	(28,283)
	-----	-----
Reduction or Increase of the Net Pension Liability does not require the use or provide a source of financial resources.	(56,330)	26,072
	-----	-----
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 assets.	5,100	5,000
	-----	-----
Change in Net Position of Governmental Activities	22,646	29,834
	=====	=====

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



NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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 Technology Center Board is comprised of member school district board members 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 North Central Area Career and Technology Center (the primary government) and its component units. A component unit would be included in the North Central Area Career and Technology Center's reporting entity because of the significance of their operational or financial relationship with the North Central Area Career and Technology Center. The criteria established by GASB 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 district. The North Central Area Career and Technology Center has no component units as defined in GASB Statement No. 14 which should be included in the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all the District's nonfiduciary activities with most interfund activities removed. *Governmental Activities* include programs supported primarily by State foundation aid, grants, and other intergovernmental revenues. The North Central Area Career and Technology Center 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. Taxable valuation assessments 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. North Central Area Career and Technology Center 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 Center. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

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. 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.

Revenues from local sources consist primarily of taxable valuation assessments. 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 center are certificates of deposit.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the center'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 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	50 years
Equipment	5,000	Straight-Line	5-10 years
Vehicles	5,000	Straight-Line	5-10 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. 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.

H. Order of Fund Balance Spending Policy

The center'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.

NOTE 2: DEPOSITS

At June 30, 2016 and 2015 the Career and Technology Center had deposits of \$27,623.45 and \$9,848.74 respectively. Center 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: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of amounts owed from other governmental entities for Career and Technology Center services provided to those governmental entities.



NOTE 4: CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the years ended June 30, 2016 and 2015, is as follows:

Capital Assets:	<u>7-01-15</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-16</u>
Equipment	\$ 181,928			\$ 181,928
Vehicles	14,773			14,773
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Equipment	108,958	18,193		127,151
Vehicles	2,216	1,477		3,693
	-----	-----	-----	-----
Government Activity Net Capital Assets	<u>\$ 85,527</u>	<u>\$ (19,670)</u>	<u>\$ -0-</u>	<u>\$ 65,857</u>
	=====	=====	=====	=====
Capital Assets:	<u>7-01-14</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-15</u>
Equipment	\$ 181,928			\$ 181,928
Vehicles	14,773			14,773
	-----	-----	-----	-----
Less Accumulated Depreciation for:				
Equipment	90,765	18,193		108,958
Vehicles	739	1,477		2,216
	-----	-----	-----	-----
Government Activity Net Capital Assets	<u>\$ 105,197</u>	<u>\$ (19,670)</u>	<u>\$ -0-</u>	<u>\$ 85,527</u>
	=====	=====	=====	=====

Depreciation was charged to functions as follows:

Governmental Activities:	<u>2016</u>	<u>2015</u>
Depreciation - Unallocated	\$ 19,670	\$ 19,670
	-----	-----
Total Depreciation Expense - Governmental Activities	<u>\$ 19,670</u>	<u>\$ 19,670</u>
	=====	=====

NOTE 5: LEASES

The Center leases building space on a monthly basis from the Rugby Public School District, one of the member districts. During the year ended June 30, 2016 and 2015, the Center made lease payments totaling \$2,400 and \$2,400 respectively to the Rugby Public School District. The lease agreement calls for the Rugby School District to insure the building. The Center is responsible for insurance on contents.

NOTE 6: 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 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 \$305,293 (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 .023343%, (from Exhibit E, Column 1 in TFFR GASB Report) which was an increase or (decrease) of (.000417) from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the Employer recognized pension expense of \$(19,562) (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	\$ 2,001	\$ -0-
Changes of assumptions	34,279	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	3,443
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	4,142
Employer contributions subsequent to the measurement date (see below)	18,532	-0-
	-----	-----
Total	\$ 54,812	\$ 7,585
	=====	=====

\$18,532 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	\$ 2,811
2018	2,811
2019	2,811
2020	9,758
2021	5,409
Thereafter	5,095

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	\$403,459	\$305,293	\$223,424

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

NOTE 7: RISK MANAGEMENT

The Technology Center 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 North Central Area Career and Technology Center participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Technology Center 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 Technology Center 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 Center 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. All members paid an additional charge the first year they joined to help capitalize the NDIRF. In 1991, 1992, 1993, 1994, and 1995, the NDIRF returned 20% each year, for a total of 100%, of the capitalized amount with a premium reduction or cash payment to the North Central Area Career and Technology Center. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence.

NOTE 8: PRIOR PERIOD RESTATEMENT DUE TO CHANGE IN ACCOUNTING PRINCIPAL

The following restatement was performed to net position at June 30, 2014 due to the adoption of Governmental Accounting Standards Board Statement #68 Accounting and Financial Reporting for Pensions:

Net Position as previously stated	\$ 84,401
Add: Deferred outflow of resources-employer contributions made during the measurement period	14,816
Deduct: Net Pension Liability	<u>-275,035</u>
Net position restated	\$ (175,818)

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

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

<u>REVENUES</u>	ORIGINAL & FINAL	<u>ACTUAL</u>	VARIANCE (UNFAVORABLE) <u>FAVORABLE</u>
	<u>BUDGET</u>		
Revenue from Local Sources	\$ 159,648	\$ 178,210	\$ 18,562
Revenues from State Sources	79,557	99,660	20,103
	-----	-----	-----
Total Revenues	239,205	277,870	38,665
	-----	-----	-----
 <u>EXPENDITURES</u>			
Current:			
CTE - Agriculture	5,000	4,800	200
CTE - Health Careers	600	600	-0-
CTE - Family & Consumer Science	39,171	37,749	1,422
CTE - Business & Office	6,000	-0-	6,000
CTE - Construction Trades	6,000	600	5,400
CTE - Electronics	75,218	68,299	6,919
CTE - Welding	123,808	122,413	1,395
Executive Administration	-0-	5,162	(5,162)
	-----	-----	-----
Total Expenditures	255,797	239,623	16,174
	-----	-----	-----
Revenues Over (Under) Expenditures	(16,592)	38,247	54,839
	-----	-----	-----
Fund Balance - July 1	30,624	30,624	-0-
	-----	-----	-----
FUND BALANCE - JUNE 30	\$ 14,032	\$ 68,871	\$ 54,839
	=====	=====	=====

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

<u>REVENUES</u>	ORIGINAL & FINAL	<u>ACTUAL</u>	VARIANCE (UNFAVORABLE) <u>FAVORABLE</u>
Revenue from Local Sources	\$ 164,634	\$ 163,171	\$ (1,463)
Revenues from State Sources	85,777	129,554	43,777
	-----	-----	-----
Total Revenues	250,411	292,725	42,314
	-----	-----	-----
 <u>EXPENDITURES</u>			
Current:			
CTE - Marketing	3,000	-0-	3,000
CTE - Health Careers	36,749	37,558	(809)
CTE - Family & Consumer Science	6000	4,500	1,500
CTE - Construction Trades	-0-	8,400	(8,400)
CTE - Electronics	7,500	-0-	7,500
CTE - Welding	77,179	69,241	7,938
Executive Administration	125,928	126,706	(778)
Debt Service	-0-	5,000	(5,000)
	-----	-----	-----
Total Expenditures	256,356	251,405	4,951
	-----	-----	-----
Revenues Over (Under) Expenditures	(5,945)	41,320	47,265
	-----	-----	-----
Fund Balance - July 1	(10,696)	(10,696)	-0-
	-----	-----	-----
FUND BALANCE - JUNE 30	\$ (16,641)	\$ 30,624	\$ 47,265
	=====	=====	=====



North Central Area Career and Technology Center  
Rugby, 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	.023343%	.023760%
2. Employer's proportionate share of the net pension liability (asset). Exhibit E, Column 2	\$ 305,293	\$ 248,963
3. Employer's covered-employee payroll. Exhibit E, Column 3	\$ 143,586	\$ 137,820
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 Central Area Career and Technology Center  
Rugby, 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	\$ 18,306	\$ 14,816
2. Contributions in relation to the statutorily required contribution Exhibit E, Column 8	\$ (18,306)	\$ (14,816)
3. Contribution deficiency (excess) Exhibit E, Column 9	\$ -0-	\$ -0-
4. Employer's covered-employee payroll Exhibit E, Column 3	\$ 143,586	\$ 137,820
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 CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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.



NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2015

<u>GENERAL FUND TYPE</u>	BALANCE <u>07-01-14</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	BALANCE <u>06-30-15</u>
General Fund	\$ (27,080.50)	\$ 293,960.70	\$ 257,031.46	\$ 9,848.74
TOTAL ALL FUNDS	<u>\$ (27,080.50)</u>	<u>\$ 293,960.70</u>	<u>\$ 257,031.46</u>	<u>\$ 9,848.74</u>

FOR THE YEAR ENDED JUNE 30, 2016

<u>GENERAL FUND TYPE</u>	BALANCE <u>07-01-15</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	BALANCE <u>06-30-16</u>
General Fund	\$ 9,848.74	\$ 257,366.44	\$ 239,591.73	\$ 27,623.45
TOTAL ALL FUNDS	<u>\$ 9,848.74</u>	<u>\$ 257,366.44</u>	<u>\$ 239,591.73</u>	<u>\$ 27,623.45</u>

NORTH CENTRAL AREA CAREER AND TECHNOLOGY CENTER  
RUGBY, NORTH DAKOTA

VOCATIONAL EDUCATION OFFICIALS

FOR THE YEAR ENDED JUNE 30, 2016

Larry Brooks	Board President	Bottineau
Pat Bachmeier	Board Vice-President	TGU
Kathy McCracken	Director	
Pam Volochenko	Board Member	Drake
Mary Medrud	Board Member	Dunseith
Dustin Undlin	Board Member	MLS - Mohall
Carlie Johnson	Board Member	Rugby
Amy Gourneau	Board Member	St. John
Ben Cartwright	Board Member	Westhope
Collette Hertz	Board Member	Harvey
Alyson Myhre	Board Member	New Rockford
Sherri Peterson	Board Member	Sawyer
Tim Bordeau	Board Member	Velva