NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
GRAFTON, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2017

Brad Brummond	President
Jeff Hermanson	Vice-President
Scott Leclerc	Board Member
Nathan Green	Board Member
Brad Becker	Board Member
Dan Johnson	Board Member
Michael Larson	Board Member
Michael Hanson	Director
Lisa Tucker	Business Manager

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North Valley Area Career and Technology Center
Grafton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of North Valley Area Career and Technology Center, as of and for the year ended June 30, 2017, 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, each major fund, and the remaining fund information of North Valley Area Career and Technology Center as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Adjustment

As described in Note 12 to the financial statements, the Center's compensated absences reported as of June 30, 2016 included liabilities that according to the Center's policy will not be paid upon termination. Compensated absences have been recalculated to not include these liabilities. As a result, beginning net position has been restated to reflect the change in compensated absences as of July 1, 2016. Our opinions are not modified with respect to these matters.

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Brady Martz

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

January 10, 2018

The discussion and analysis of North Valley Area Career and Technology Center's financial performance provides an overall review of the Center's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the Center's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of the Center changed by $(9,918) as a result of the current year's operations.
- Total revenues were $2,537,226 compared to $2,537,298 for the prior year.
- Total expenses were $2,547,144 compared to $2,440,608 for the prior year.
- The Center's general fund had $2,537,226 in total revenues and $2,545,714 in expenditures. Overall, the general fund balance decreased by $8,488 for the year ended June 30, 2017.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand North Valley Area Career and Technology Center as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the School Center as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

Reporting the School Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Financial Analysis of the Center as a Whole

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

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

As indicated in the financial highlights, the Center's net position was $(45,512). Net position may serve over time as a useful indicator of the Center's financial position.

The Center's net position of $(45,512) is segregated into two separate categories. Net position invested in Capital Assets (net of related debt) represents $400,237 of the Center's net position. It should be noted that these assets are not available for future spending. Unrestricted net position represents $(445,749) of the Center's net position. The unrestricted net position is available to meet the Center's ongoing obligations.

Table 1

	2017	2016 As Restated
Assets		
Current Assets	$ 799,829	$ 762,452
Capital Assets (Net of Accumulated Depreciation)	400,237	392,669
Total Assets	1,200,066	1,155,121
Deferred Outflows of Resources		
Cost Sharing Defined Benefit Plan	345,274	244,312
Total Deferred Outflows of Resources	345,274	244,312
Liabilities		
Current Liabilities	47,715	1,850
Non-Current Liabilities	1,331,263	1,228,501
Total Liabilities	1,378,978	1,230,351
Deferred Inflows of Resources		
Cost Sharing Defined Benefit Plan	211,874	204,676
Total Deferred Inflows of Resources	211,874	204,676
Net Position		
Net Investment in Capital Assets	400,237	392,669
Restricted	-	260,532
Unrestricted	(445,749)	(688,795)
Total Net Position	$ (45,512)	$ (35,594)

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

Table 2

	2017	2016 As Restated
Revenues		
Charges for Services	$ 900,731	$ 849,578
Operating Grants and Contributions	1,622,100	1,674,395
Interest Income	1,942	1,829
Other	12,453	11,496
Total Revenues	2,537,226	2,537,298
Expenditures		
Instructional Support Services	2,145,542	1,968,035
Administration	148,553	189,321
Director	85,849	123,048
Operations and Maintenance	167,200	160,204
Total Expenditures	2,547,144	2,440,608
Change in Net Position	(9,918)	96,690
Net Position - Beginning	(35,594)	(132,284)
Net Position - Ending	$ (45,512)	$ (35,594)

Charges for services made up 36% of operating grants, 64% of contributions, and interest income made up less than 1% of the total revenues of governmental activities of the Center for fiscal year 2017.

Instructional Support Services comprised 84%, Administration 6%, Director 3%, and Operations and Maintenance made up 7% of Center expenses.

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

Table 3

	Total Cost for Year Ended 6/30/2017	Net Cost for Year Ended 6/30/2017	Total Cost for Year Ended 6/30/2016	Net Cost for Year Ended 6/30/2016
Instruction	$ 2,145,542	$ 377,289	$ 1,968,035	$ 555,938
Administration	148,553	(148,553)	189,321	(189,321)
Director	85,849	(85,849)	123,049	(123,049)
Operations and Maintenance	167,200	(167,200)	160,203	(160,203)
Total Expenses	$ 2,547,144	$ (24,313)	$ 2,440,608	$ 83,365

Administration includes expenses associated with administrative and financial supervision of the Center.

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

Director includes expenses related to the Century 21 grant, which supports the education of the students.

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

Financial Analysis of the Center's Governmental Funds

The focus of the Center's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the Center's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The Center's governmental funds had total revenues of $2,537,226 and expenditures of $2,545,714 for the year ended June 30, 2017. As of June 30, 2017, the unassigned fund balance of the Center's general fund was $752,114.

Budget Highlights

During the course of the 2017 fiscal year, the Center received $100,482 less revenues and incurred $92,499 less expenditures than budgeted. This is primarily the result of less federal and state income received during the year as well as less salary expenditures incurred than anticipated during the budgeting process.

Capital Assets

As of June 30, 2017, the Center had $400,237 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2017 (see Note 4 for details).

Table 4

	2017
Buildings	$ 1,178
Equipment	388,548
Vehicles	10,511
Total	$ 400,237

Debt Administration:

As of June 30, 2017, the Center had $1,331,263 in outstanding debt related to the net pension liability. The Center increased its debt by $102,762 from June 30, 2016 (See Note 5). See below for a description of the Center's debt:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Due in One Year
Net Pension Liability	$ 1,228,501	$ 353,904	$ 251,142	$ 1,331,263	$ -
Total	$ 1,228,501	$ 353,904	$ 251,142	$ 1,331,263	$ -

For the Future:

The North Valley 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.

Contacting the Center's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. You may request a copy of this report by contacting Lisa Tucker, Business Manager, North Valley Area Career and Technology Center, 1540 School Road, Grafton, ND 58237, or email at lisa.tucker@k12.nd.us.

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF NET POSITION
JUNE 30, 2017

	2017
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 367,246
Investments	100,000
Intergovernmental Receivable	316,780
Accounts Receivable	11,791
Prepaid Expense	4,012
Total Current Assets	799,829
Non-Current Assets:	
Capital Assets	
Buildings	76,007
Equipment	814,817
Vehicles	33,866
Less Accumulated Depreciation	(524,453)
Total Non-Current Assets	400,237
TOTAL ASSETS	1,200,066
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	273,066
Cost Sharing Defined Benefit Pension Plan - NDPERS	72,208
TOTAL DEFERRED OUTFLOWS OF RESOURCES	345,274
LIABILITIES	
Current Liabilities:	
Payroll Liabilities	2,189
Accrued Liabilities	45,526
Total Current Liabilities	47,715
Long-Term Liabilities:	
Net Pension Liability	1,331,263
Total Non-Current Liabilities	1,331,263
TOTAL LIABILITIES	1,378,978
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	201,593
Cost Sharing Defined Benefit Pension Plan - NDPERS	10,281
TOTAL DEFERRED INFLOWS OF RESOURCES	211,874
NET POSITION	
Net Investment in Capital Assets	400,237
Unrestricted	(445,749)
TOTAL NET POSITION	$ (45,512)

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Instructional Support Services	$ 2,145,542	$ 900,731	$ 1,622,100	$ 377,289
Administration	148,553	-	-	(148,553)
Director	85,849	-	-	(85,849)
Operations and Maintenance	167,200	-	-	(167,200)
TOTAL GOVERNMENTAL ACTIVITIES	$ 2,547,144	$ 900,731	$ 1,622,100	(24,313)
	GENERAL REVENUES			
	Interest Income			1,942
	Other General Revenues			12,453
	TOTAL GENERAL REVENUES			14,395
	Change in Net Position			(9,918)
	Net Position - Beginning			(81,482)
	Prior Period Adjustment - See Note 12			45,888
	Net Position - Beginning as Restated			(35,594)
	Net Position - Ending			$ (45,512)

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

		General Fund
ASSETS		
Cash	$	367,246
Investments		100,000
Intergovernmental Receivables		316,780
Accounts Receivable		11,791
Prepaid Expense		4,012
TOTAL ASSETS	$	799,829
LIABILITIES		
Payroll Liabilities	$	2,189
Accrued Liabilities		45,526
TOTAL LIABILITIES		47,715
FUND BALANCES		
Unassigned		752,114
TOTAL FUND BALANCES		752,114
TOTAL LIABILITIES AND FUND BALANCES	$	799,829

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds		$ 752,114
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	$ 924,690	
Less: accumulated depreciation	(524,453)	
Net		400,237
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		133,400
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Net Pension Liability		(1,331,263)
Net Position - Governmental Activities		$ (45,512)

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

		General Fund
REVENUES		
Local Sources	$	915,126
Revenue from State Sources		728,139
Revenue from Federal Sources		893,961
TOTAL REVENUES		2,537,226
EXPENDITURES		
Current:		
Community Services Adult Education		73,087
Improvement of Instruction		20,021
School Board		15,219
Director		85,849
Administrative Assistant		133,334
Operation & Maintenance of Plant		167,200
Carl Perkins - Admin		2,675
Agriculture		150,694
Marketing		66,667
Health Careers		70,606
Consumer & Homemaking		8,651
Modern Business Technology		77,176
Tech Education		1,559
Auto Technology		135,169
Machining		11,448
Welding		71,255
Construction Trades		110,860
W/P Technology Cooperative		24,989
Vocational Guidance		382,846
Vocational Special Needs		5,685
Instructional Staff Training		61,474
Bremer		1,942
Emerging Technology		38,203
Title IV - 21st Century		829,105
TOTAL EXPENDITURES		2,545,714
Net Change in Fund Balances		(8,488)
Fund Balance - Beginning of Year		760,602
Fund Balance - End of Year	$	752,114

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - Governmental Funds		$ (8,488)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.		
Capital Outlays	$ 77,574	
Depreciation Expense	(70,006)	
Excess of capital outlay over depreciation expense		7,568
Changes in deferred outflows and inflows of resources related to net pension liability		93,764
Change in net pension liability		(102,762)
Change in net position - Governmental Activities		$ (9,918)

See Notes to the Basic Financial Statements

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
JUNE 30, 2017

ASSETS		
Cash	$	54,305
Investments		42,023
Accounts Receivable		1,556
TOTAL ASSETS	$	97,884
LIABILITIES		
Amount Held for Student Groups	$	71,720
Amount Held for ITV		26,164
TOTAL LIABILITIES	$	97,884

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL CENTER AND REPORTING ENTITY

The North Valley Area Career and Technology Center (NVACTC) operates in the City of Grafton, North Dakota.

The Technology Center Board is comprised of member school Center 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 NVACTC (the primary government) and its component units. A component unit would be included in the NVACTC's reporting entity because of the significance of their operational or financial relationship with the NVACTC. The criteria established by GASB Statement No. 61 in determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the school Center 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 Center.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

Fund Accounting

The Center's funds consist of the following:

Governmental Funds:

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

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

Fiduciary Funds:

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

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

ITV Fund:
The fund accounts for the financial transactions related to the Center's ITV programs.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

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

Basis of Accounting:

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

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

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

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

Revenues - Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

The Center's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each Center, annually on or before the last day of July must levy taxes. The governing body of the Center may amend its budget for the current fiscal year on or before the tenth day of October of each year.

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the tenth of October each year. The budget is then filed with the county auditor by October tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

The General fund expenditures were $92,499 less than budgeted at June 30, 2017.

Cash and Cash Equivalents:

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

Investments:

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

Fair Value Measurements:

The Center accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the Center's fiscal year. The Center has established a capitalization threshold of $3,000. Donated fixed assets are recorded at their fair market values at the date received. The Center does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The Center's capital assets are depreciated over their estimated useful lives on a straight-line basis. The Center has established the following useful lives:

Buildings and Improvements	5 to 15 Years
Equipment and Fixtures	5 to 15 Years
Vehicles	5 to 10 Years

Accrued Liabilities and Long-term Obligations:

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

Pensions:

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

Fund Balance Classifications:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the Center's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the Center's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Center's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Center has one item reported on the statement of net position *as cost sharing defined benefit pension plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans and is reported on the statement of net position.

Net Position

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

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the Center's governmental activities and its business-type activities, is eliminated in the statement of activities.

Extraordinary and Special Items:

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

Estimates:

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

Significant Group Concentrations of Credit Risk:

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

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

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

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

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

At June 30, 2017, the carrying amount of the Center's deposits was $563,574 and the bank balance was $722,998. The Center's investments consist of CD's. The entire deposit and investment balance was covered by Federal Depository Insurance or by collateral held by the Center's Agent in the Center's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk

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

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

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

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

d. Obligations of the state.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

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

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the general fixed assets account group during the year:

	Balance 7/1/2016	Additions	Disposals	Transfers	Balance 6/30/2017
Governmental Activities:					
Capital Assets Being Depreciated					
Buildings	$ -	$ -	$ -	$ 76,007	$ 76,007
Equipment	813,250	77,574	-	(76,007)	814,817
Vehicles	33,866	-	-	-	33,866
Total	847,116	77,574	-	-	924,690
Less Accumulated Depreciation					
Buildings	-	629	-	74,200	74,829
Equipment	432,329	68,140	-	(74,200)	426,269
Vehicles	22,118	1,237	-	-	23,355
Total	454,447	70,006	-	-	524,453
Net Capital Assets Being Depreciated	392,669	7,568	-	-	400,237
Net Capital Assets for Governmental Activities	$ 392,669	$ 7,568	$ -	$ -	$ 400,237

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

Regular Instruction	$ 69,377
Operations & Maintenance	629
Total	$ 70,006

NOTE 5 LONG-TERM DEBT

The School Center has no outstanding bonds. Long-term debt is as follows:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Due in One Year
Net Pension Liability	$ 1,228,501	$ 353,904	$ 251,142	$ 1,331,263	$ -
Total	$ 1,228,501	$ 353,904	$ 251,142	$ 1,331,263	$ -

NOTE 6 FUND BALANCES

Classifications

At June 30, 2017, a summary of the governmental fund balance classifications is as follows:

	General Fund
Unassigned	$ 752,114
	$ 752,114

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

Pension Costs

At June 30, 2017, the Center reported a liability of $1,156,820 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016, the Employer's proportion was 0.078961 percent, which was a decreased of 0.005864 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of $70,771. At June 30, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,464	$ 5,477
Changes in actuarial assumptions	96,628	-
Difference between projected and actual investment earnings	96,163	-
Changes in proportion	-	196,116
Contributions paid to TFFR subsequent to the measurement date	74,811	-
Total	$ 273,066	$ 201,593

$74,811 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

Year ending June 30:	Pension Expense Amount
2018	$ (1,381)
2019	(1,381)
2020	22,117
2021	7,405
2022	(18,406)
Thereafter	(10,693)

Actuarial Assumptions

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

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

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

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

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

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

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

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

Discount rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
Center's proportionate share of the TFFR net pension liability:	$ 1,500,482	$ 1,156,820	$ 870,581

Pension Plan Fiduciary Net Position

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

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

The following brief description of 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). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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

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

At June 30, 2017, the Center reported a liability of $174,443 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the Center's proportion was 0.017899 percent which was an increase of 0.000382 percent from its proportion measured July 1, 2015.

For the year ended June 30, 2017, the Center recognized pension expense of $27,110. At June 30, 2017, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,621	$ 1,615
Changes in actuarial assumptions	16,081	8,666
Difference between projected and actual investment earnings	24,338	-
Changes in proportion	16,133	-
Contributions paid to NDPERS subsequent to the measurement date	13,035	-
Total	$ 72,208	$ 10,281

$13,035 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

Year ending June 30:	Pension Expense Amount
2018	$ 9,861
2019	9,861
2020	15,170
2021	11,076
2022	2,924

Actuarial Assumptions

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

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

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

The following presents the Center's proportionate share of the net pension liability calculated using the discount rate of 8.00 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 (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	7.00%	8.00%	9.00%
Center's proportionate share of the NDPERS net pension liability:	$ 247,444	$ 174,443	$ 112,936

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 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.

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

The Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Center pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Center with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 9 CONTINGENT LIABILITIES

The Center participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 COMMITMENTS

Lease Commitments

The Center leases copy machines under a non-cancelable operating lease for five years. The following is a schedule of future minimum rentals under the lease at June 30, 2017:

Year Ending June 30,		
2018	$	2,700
2019		2,700
2020		2,700
2021		1,125
	$	9,225

NOTE 11 LEASE OF VOCATIONAL BUILDING

The Center leases a building on an annual basis from the Grafton Public School Center. During the year ended June 30, 2017, the Center paid payments totaling $140,000 to the School. The rent for the 2017-2018 school year has been set at $35,000. The lease agreement calls for the District to insure the building and for North Valley Career and Technical Center to pay for any structural repairs or improvements. The Center pays all other operating costs including utilities and insurance on contents.

NOTE 12 PRIOR PERIOD ADJUSTMENT

The Center's compensated absences reported as of June 30, 2016 included liabilities that according to the Center's policy will not be paid upon termination. Compensated absences have been recalculated to not include these liabilities. As a result, beginning net position has been restated to reflect the change in compensated absences as of July 1, 2016. As a result, beginning net position has been restated to reflect the change as of July 1, 2016 as below:

Net Position July 1, 2016 as previously reported	$	(81,482)
Restatement for:		
Compensated Absences		45,888
Net Position July 1, 2016 as restated	$	(35,594)

NOTE 13 NEW PRONOUNCEMENTS

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

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

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

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

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

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

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

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

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

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year end, the Center entered into a long-term lease for printer equipment. Subsequent events have been evaluated through January 10, 2018, which is the date these financial statements were available to be issued.

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original & Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Local Sources	$ 920,731	$ 915,126	$ (5,605)
Revenue from State Sources	713,737	728,139	14,402
Revenue from Federal Sources	1,003,240	893,961	(109,279)
TOTAL REVENUES	2,637,708	2,537,226	(100,482)
EXPENDITURES			
Current:			
Community Services Adult Education	124,816	73,087	(51,729)
Improvement of Instruction	20,022	20,021	(1)
School Board	15,219	15,219	-
Director	130,536	85,849	(44,687)
Administrative Assistant	181,500	133,334	(48,166)
Operation & Maintenance of Plant	167,200	167,200	-
Carl Perkins - Admin	2,675	2,675	-
Agriculture	150,694	150,694	-
Marketing	66,666	66,667	1
Health Careers	70,606	70,606	-
Consumer & Homemaking	8,651	8,651	-
Modern Business Technology	77,176	77,176	-
Tech Education	1,559	1,559	-
Auto Technology	135,170	135,169	(1)
Machining	11,449	11,448	(1)
Welding	71,256	71,255	(1)
Construction Trades	110,861	110,860	(1)
W/P Technology Cooperative	24,988	24,989	1
Vocational Guidance	382,846	382,846	-
Vocational Special Needs	5,685	5,685	-
Instructional Staff Training	9,389	61,474	52,085
Bremer	1,942	1,942	-
Emerging Technology	38,203	38,203	-
Title IV - 21st Century	829,104	829,105	1
TOTAL EXPENDITURES	2,638,213	2,545,714	(92,499)
Excess (Deficiency) of Revenues over Expenditures	(505)	(8,488)	7,983
Net Change in Fund Balances	(505)	(8,488)	(7,983)
Fund Balance - Beginning of Year	760,602	760,602	-
Fund Balance - End of Year	$ 760,097	$ 752,114	$ (7,983)

See Notes to the Required Supplementary Information

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 74,811	$ 74,811	-	$ 586,754	12.75%
2016	66,522	66,522	-	531,762	12.51%
2015	63,171	63,171	-	587,647	10.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 13,035	$ 13,035	$ -	$ 186,217	7.00%
2016	11,854	10,003	1,851	156,054	7.60%
2015	8,643	8,643	-	121,394	7.12%

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

See Notes to the Required Supplementary Information

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF CENTER’S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.078961%	$ 1,156,820	$ 513,027	225.49%	59.20%
2016	0.084825%	1,109,388	531,762	208.62%	62.10%
2015	0.101309%	1,061,539	587,647	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.017899%	$ 174,443	$ 180,382	96.71%	70.46%
2016	0.017517%	119,113	156,054	76.33%	77.15%
2015	0.014410%	91,463	121,394	75.34%	77.70%

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

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

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The Center's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School Center, annually on or before the last day of July must levy taxes. The governing body of the School Center may amend its budget for the current fiscal year on or before the tenth day of October of each year. During the current year in the General Fund, budgeted expenditures exceeded actual expenditures by $92,499.

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget before October tenth of each year. The budget is then filed with the county auditor by October tenth of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.

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

NOTE 2 – CHANGES OF ASSUMPTIONS

TFFR

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

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

NDPERS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Education
North Valley Area Career and Technology Center
Grafton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of the North Valley Area Career and Technology Center as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise North Valley Area Career and Technology Center's basic financial statements and have issued our report thereon dated January 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Valley 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. See findings 2017-001 and 2017-002.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether North Valley Area Career and Technology Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The Center's Response To Findings

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

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

January 10, 2018

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Education
North Valley Area Career and Technology Center
Grafton, North Dakota

Report on Compliance for Each Major Federal Program

We have audited North Valley Area Career and Technology Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Valley Area Career and Technology Center's major federal programs for the year ended June 30, 2017. The North Valley Area Career and Technology Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Center's compliance.

Basis for Qualified Opinion on CFDA 84.287 21st Century

As described in the accompanying schedule of findings and questioned costs, North Valley Area Career and Technology Center did not comply with requirements regarding CFDA 84.287 21st Century as described in finding number 2017-003 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for North Valley Area Career and Technology Center to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 84.287 21st Century

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, North Valley Area Career and Technology Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.287 21st Century for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of North Valley Area Career and Technology Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance to each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003 that we consider to be a material weakness.

North Valley Area Career and Technology Center's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. North Valley Area Career and Technology Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Brady Martz

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

January 10, 2018

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	PASS THROUGH TO SUBRECIPIENTS	EXPENDITURES 2017
U.S. Department of Education				
Passed Through State Department of Public Instruction:				
21st Century Learning Center Program	84.287	PII066; F84287	$ 515,434	$ 829,104
Adult Education - Basic Grant	84.002	PII048; F84002A		10,500
Passed Through ND Department of Career & Technical Education:				
Vocational Education - Carl Perkins Grant	84.048	NONE		53,508
Total U.S. Department of Education				893,112
U.S. Department of Labor				
Passed Through State Department of Public Instruction:				
WIA Title V Incentive	17.266	PII054		849
Total U.S. Department of Labor				849
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 515,434	$ 893,961

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the North Valley Area Career and Technology Center and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - PASS-THROUGH ENTITIES

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

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_x_ yes ___ none reported
Non-compliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	_x_ yes ___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes _x_ none reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_x_ yes ___ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program of Cluster
84.287	21^{st} Century

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	___ yes _x_ no

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-001

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

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

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

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

Management's Response
Management agrees with comment and will implement when it becomes cost-effective.

2017-002

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

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

Cause
There is only one business manager and due to the Center's size, they are unable to hire more staff.

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

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

Management's Response
The Director reviews and signs off on the unopened bank statements. The Director also reviews and signs off on all the bank reconciliations.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-003

Federal Program
21st Century (CFDA # 84.287) – Subrecipient Monitoring

Criteria
Pass-through entities are required to perform subrecipient monitoring.

Condition
North Valley Area Career and Technology Center is receiving federal funds and subsequently passing these amounts down to subrecipients. The entity did not properly provide all federal funding information to these subrecipients. North Valley Area Career and Technology Center is not currently monitoring these subrecipient's audit reports for deficiencies noted by subrecipient auditors.

Questioned Cost
Not applicable

Context
North Valley Area Career and Technology Center is receiving federal funds and subsequently passing these amounts down to subrecipients. The entity did not properly provide all federal funding information to these subrecipients. North Valley Area Career and Technology Center is not currently monitoring these subrecipient's audit reports for deficiencies noted by subrecipient auditors.

Effect
Non-compliance with subrecipient monitoring compliance requirements.

Cause
North Valley Area Career and Technology Center did not receive pertinent information for funding from the granting agency to pass down to subrecipients. In addition, they did not review audited financial statements from subrecipients to review for any potential issues.

Recommendation
Recommend North Valley Area Career and Technology Center to provide all required and additional necessary information to subrecipients to ensure single audits are properly performed at the subrecipient level. Also recommend for the Center to obtain audited financial statements, as well as any separate uniform guidance audit reports, and review for any issues.

Views of Responsible Officials
The annual letters to subrecipients have been updated to include the CFDA number, the federal awarding identification number and the state grant award number. The letter also includes language regarding Uniform Guidance audit requirements. Annual audit reports have been requested from subrecipients.

NORTH VALLEY AREA CAREER AND TECHNOLOGY CENTER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

There are no prior year audit findings.

North Valley
Career and Technology Center

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Corrective Action Plan

2017-001

Contact Person
Lisa Tucker

Planned Corrective Action
The Center will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2017-002

Contact Person
Lisa Tucker

Planned Corrective Action
The Center will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2017-003

Contact Person
Lisa Tucker

Planned Corrective Action
The annual letters to subrecipients have been updated to include the CFDA number, the federal awarding identification number and the state grant award number. The letter also includes language regarding Uniform Guidance audit requirements. Annual audit reports have been requested from subrecipients.

Planned Completion Date
Immediately