

AUDIT REPORT

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

EXAMINATION FOR THE YEAR ENDED  
JUNE 30, 2016

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

School Board  
TGU Public School District No. 60  
Towner, North Dakota

### Report on Compliance for Each Major Federal Program

We have audited the TGU Public School District'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 TGU Public School District's major federal programs for the year ended June 30, 2016. TGU Public School District'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of TGU Public School District'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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TGU Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TGU Public School District's compliance.

### Opinion on Each Major Federal Program

In our opinion, TGU Public School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

## Report on Internal Control Over Compliance

Management of TGU Public School District, 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 TGU Public School District'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 for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TGU Public School District's internal control over compliance.

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

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

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

A handwritten signature in black ink, reading "Emil Schoenfish CPA". The signature is written in a cursive style and is located in the lower right quadrant of the page.

August 3, 2016

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

School Board  
TGU Public School District No. 60  
Towner, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the TGU Public School District No. 60, Towner, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the TGU Public School District's basic financial statements and have issued our report thereon dated August 3, 2016.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of this Report

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

A handwritten signature in black ink that reads "Emil Schoenfish CRT". The signature is written in a cursive style.

August 3, 2016

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a unmodified opinion on the basic financial statements of the TGU Public School District No. 60.
2. No reportable conditions were disclosed during the audit of the basic financial statements of TGU Public School District No. 60.
3. No instances of noncompliance material to the basic financial statements of TGU Public School District No. 60 were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the TGU Public School District No. 60 expresses an unmodified opinion.
6. No audit findings relative to major federal award programs for TGU Public School District No. 60 are reported in part C of this schedule.
7. The programs tested as major programs included:

Head Start	Fed CFDA # 93.600
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8. The threshold for distinguishing type A and B programs was \$750,000.
9. The TGU Public School District No. 60 was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

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School Board  
TGU Public School District No. 60  
Towner, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the TGU Public School District No. 60, Towner, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the TGU Public School District No. 60, Towner, North Dakota, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension information on pages 9-13 and 39-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion of provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Report on Summarized Comparative Information*

We have previously audited the TGU Public School District's fiscal year end June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.

### *Other Information*

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

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

### **Other Reporting Required By Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 3, 2016 on our consideration of TGU Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering TGU Public School District's internal control over financial reporting and compliance.

August 3, 2016



TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

**Management's Discussion and Analysis**

The Management's Discussion and Analysis (MD&A) of TGU Public School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements, which can be found on pages 14-20 of this report.

**Financial Highlights**

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

- Net position of the TGU Public School increased (decreased) \$158,613 as a result of the current years operations. This compares to an increase (decrease) of \$580,648 for the prior year.
- Governmental net position as of the end of the fiscal year totaled \$(1,518,063). Of this amount, \$(4,208,825) was unrestricted. For the prior year, governmental net assets totaled \$(1,676,676) and of this amount \$(4,004,201) was unrestricted.
- Total revenues from all sources were \$8,564,335 compared to \$8,624,157 for the prior year.
- Total expenditures from all sources were \$8,405,722 compared to \$8,043,509 for the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$1,525,852, or 26% of total general fund expenditures. For the prior year, the fund balance for the general fund was \$1,717,035, or 31% of total general fund expenditures.
- The District's general fund had \$5,786,705 in total revenues and \$5,977,888 in total expenditures. There was a total of \$-0- from other financing sources. Overall, the general fund balance increased (decreased) by \$(191,183) for the year ended June 30, 2016. For the prior year, the District's general fund had \$5,869,716 in total revenues and \$5,495,464 in total expenditures. There was a total of \$-0- from other financing sources. Overall, the general fund balance increased (decreased) by \$374,252 for the year ended June 30, 2015.

**Overview of the Financial Statements**

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

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

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

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

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

The governmental activities of the TGU Public School District include regular instruction, special education, vocational education, technology services, library media services, district wide services, administration, school food services, buildings and grounds operations and maintenance, student transportation, co curricular activities, rental payments, capital outlay and debt services. The government-wide financial statements can be found on pages 14-15 of this report.

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

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

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

The TGU Public School District maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, food service fund, building, debt service, and head start fund, all of which are considered to be major funds.

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

The basic governmental fund financial statements can be found on pages 16-19 of this report.

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

The basic fiduciary fund financial statement can be found on page 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-36 of this report.

**Government-wide Financial analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the TGU Public School District, assets exceeded liabilities by \$-1,518,063 at the close of the most recent fiscal year.

A large portion of the TGU Public Schools District's net position \$2,325,825 reflects its investment in capital assets (e.g., land, buildings, and improvements, buildings and infrastructure, machinery and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The TGU Public School District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the TGU Public School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the TGU Public School District's net position \$364,937 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$-4,208,825 may be used to meet the school's ongoing obligations to citizens and creditors.

The school's net position increased (decreased) by \$158,613 during the current fiscal year.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and other assets	\$ 2,454,980	\$ 2,339,475	\$ 2,068,932
Capital assets	2,945,825	2,733,754	2,638,480
Deferred outflows	<u>1,234,607</u>	<u>546,851</u>	<u>397,881</u>
Total assets & deferred outflows	6,635,412	5,620,080	5,105,293
Long-term liabilities outstanding	7,331,978	6,302,185	7,017,103
Other liabilities	410,637	267,044	345,514
Deferred inflows	<u>410,860</u>	<u>727,527</u>	<u>-0-</u>
Total liabilities & deferred inflows	8,153,475	7,296,756	7,362,617
Net Position:			
Net Investment in Capital Assets	2,325,825	2,043,754	1,878,480
Restricted	364,937	283,771	309,806
Unrestricted	<u>(4,208,825)</u>	<u>(4,004,201)</u>	<u>(4,445,610)</u>
Total Net Position	\$ (1,518,063)	\$ (1,676,676)	\$ (2,257,324)

**Governmental activities.** Governmental activities increased (decreased) the TGU Public School District's net position by \$158,613.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>			
<u>Program Revenues:</u>			
Charges for Services	\$ 109,810	\$ 118,691	\$ 104,938
Operating Grants and Contributions	2,616,463	2,710,511	2,475,370
Capital Grants and Contributions	-0-	-0-	-0-
<u>General Revenues:</u>			
Property Taxes	1,906,418	1,777,845	1,450,505
State Aid - Unrestricted	3,869,529	3,978,557	3,820,241
Mineral Resources	25,349	15,504	21,869
Other	<u>36,766</u>	<u>23,049</u>	<u>30,210</u>
Total Revenues	<u>8,564,335</u>	<u>8,624,157</u>	<u>7,903,133</u>
<b>Expenses</b>			
Instruction	6,329,046	5,998,922	5,575,859
Support Services	1,843,111	1,818,778	1,710,033
Co-curricular Activities	123,815	119,561	120,481
Depreciation - Unallocated	<u>109,750</u>	<u>106,248</u>	<u>104,796</u>
Total Expenses	<u>8,405,722</u>	<u>8,043,509</u>	<u>7,511,169</u>
Net Change in Position	158,613	580,648	391,964
Change in Accounting Principal-GASB 68			(5,859,222)
Beginning Net Position	<u>(1,676,676)</u>	<u>(2,257,324)</u>	<u>3,209,934</u>
Ending Net Position	\$ (1,518,063)	\$ (1,676,676)	\$ (2,257,324)

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

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

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

As of the end of the current fiscal year, the TGU Public School District's governmental funds reported combined ending fund balances of \$1,890,789, an increase (decrease) of \$(110,017) in comparison with the prior year.

The general fund is the chief operating fund of the TGU Public School District. At the end of the current fiscal year, unassigned fund of the general fund was \$1,525,852 while total fund balance totaled \$1,525,852. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26% of the total general fund expenditures, while total fund balance represents 26% of that same amount.

The fund balance of the TGU Public School District's general fund increased (decreased) by \$(191,183) during the current fiscal year. The TGU Public School District budgeted an anticipated increase (decrease) in fund balance of \$10,595.

**General Fund Budgetary Highlights**

During the current year, revenues were greater than (less than) budgetary estimates by \$(249,169), expenditures were (greater than) less than budgetary estimates by \$47,391, other financing sources and uses were greater than (less than) budgetary estimates by \$-0-, and ending fund balance exceeded (was less than) budgetary estimates by \$(201,778).

During the prior year, revenues were greater than (less than) budgetary estimates by \$(23,502), expenditures were (greater than) less than budgetary estimates by \$341,053, other financing sources and uses were greater than (less than) budgetary estimates by \$-0-, and ending fund balance exceeded (was less than) budgetary estimates by \$317,551.

**Capital Asset**

As of June 30, 2016, the TGU Public School District had \$2,945,825 invested in capital assets.

**TGU Public School District's Capital Assets**

(net of depreciation)

Government activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Buildings and Improvements	\$ 1,943,649	\$ 1,771,628
Equipment	195,458	239,847
Vehicles	<u>806,718</u>	<u>722,279</u>
Total	\$ 2,945,825	\$ 2,733,754

Additional information on the TGU Public School District's capital assets can be found in note 4 on page 26 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the TGU Public School District had debt outstanding of \$7,331,978.

**TGU Public School District Outstanding Debt**

Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Bonds Payable	\$ 620,000	\$ 690,000
Net Pension Liability	\$ 6,711,978	\$5,612,185

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

**For The Future**

The TGU Public School District has benefited from an adequate property tax base. The School District has also benefited from continued funding from the State of North Dakota. These elements have enabled the District to meet many of its staffing and building maintenance needs.

The TGU Public School District, not unlike many rural districts in North Dakota, is experiencing declining enrollment. With consolidation and other cost efficiencies the District has maintained a financially stable condition.

**Requests for Information**

This financial report is designed to provide a general overview of the TGU Public School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Manager, PO Box 270, TGU Public School District, Towner, ND 58788.

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

	<u>Primary Government</u> <u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES:</b>		
Cash and Cash Equivalents	\$ 2,257,215	\$ 2,087,608
Taxes Receivable	153,554	71,625
Due from Other Governments	44,211	180,242
Capital Assets:		
Land, Improvements and Construction in Progress		
Other Capital Assets, Net of Depreciation	2,945,825	2,733,754
Deferred Outflow of Resources	1,234,607	546,851
	-----	-----
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 6,635,412</b>	<b>\$ 5,620,080</b>
	=====	=====
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES:</b>		
Accounts Payable	\$ 324,144	\$ 141,812
Employee Benefits Payable	16,764	18,232
Due to Other Governments	69,729	107,000
Other Current Liabilities		
Noncurrent Liabilities:		
Due in Less than One Year	70,000	70,000
Due in More than One Year	550,000	620,000
Net Pension Liability	6,711,978	5,612,185
Deferred Inflow of Resources	410,860	727,527
	-----	-----
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>8,153,475</b>	<b>7,296,756</b>
	-----	-----
<b>NET POSITION:</b>		
Net Investment in Capital Assets	2,325,825	2,043,754
Restricted for:		
Food Service	1,027	1,572
Capital Outlay	274,222	197,659
Debt Service	89,688	84,540
Unrestricted (Deficit)	(4,208,825)	(4,004,201)
	-----	-----
<b>TOTAL NET POSITION</b>	<b>(1,518,063)</b>	<b>(1,676,676)</b>
	-----	-----
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b>\$ 6,635,412</b>	<b>\$ 5,620,080</b>
	=====	=====

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES 2016	2015
Primary Government:						
Governmental Activities:						
Instruction	\$ (6,329,046)		\$ 2,511,555		\$ (3,817,491)	\$ (3,385,488)
Support Services	(1,843,111)	\$ 109,810	104,908		(1,628,393)	(1,603,010)
Co-curricular Activities	(123,815)				(123,815)	(119,561)
Depreciation-unallocated	(109,750)				(109,750)	(106,248)
Total Primary Government	<u>(8,405,722)</u>	<u>109,810</u>	<u>2,616,463</u>	<u>-0-</u>	<u>(5,679,449)</u>	<u>(5,214,307)</u>
			General Revenues:			
			Property Taxes		1,906,418	1,777,845
			Revenue from State Sources:			
			State Foundation Aid		3,869,529	3,978,557
			Mineral Resources		25,349	15,504
			Other General Revenues		36,766	23,049
			Total General Revenues		<u>5,838,062</u>	<u>5,794,955</u>
			Change in Net Position		158,613	580,648
			Net Position - Beginning		(1,676,676)	(2,257,324)
			NET POSITION - ENDING		<u>\$ (1,518,063)</u>	<u>\$ (1,676,676)</u>

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

(2015 column for comparative purposes only)

<u>ASSETS:</u>	GENERAL FUND	FOOD SERVICE FUND	HEADSTART FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS	
						2016	2015
Cash and Cash Equivalents	\$ 1,822,549	\$ 1,027	\$ 69,729	\$ 274,222	\$ 89,688	\$ 2,257,215	\$ 2,087,608
Taxes Receivable	128,345			17,191	8,018	153,554	71,625
Due From Other Governments	44,211					44,211	180,242
<b>TOTAL ASSETS</b>	<u>\$ 1,995,105</u>	<u>\$ 1,027</u>	<u>\$ 69,729</u>	<u>\$ 291,413</u>	<u>\$ 97,706</u>	<u>\$ 2,454,980</u>	<u>\$ 2,339,475</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</u>							
<u>Liabilities:</u>							
Accounts Payable	\$ 324,144					\$ 324,144	\$ 141,812
Employee Benefits Payable	16,764					16,764	18,232
Due To Other Governments			\$ 69,729			69,729	107,000
<u>Deferred Inflow of Resources:</u>							
Uncollected Taxes	128,345			\$ 17,191	\$ 8,018	153,554	71,625
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>469,253</u>	<u>-0-</u>	<u>69,729</u>	<u>17,191</u>	<u>8,018</u>	<u>564,191</u>	<u>338,669</u>
<u>Fund Balances:</u>							
<u>Fund Balances:</u>							
Restricted for Food Service		1,027				1,027	1,572
Restricted for Capital Projects				274,222		274,222	197,659
Restricted for Debt Service					89,688	89,688	84,540
Unassigned	1,525,852					1,525,852	1,717,035
<b>Total Fund Balances</b>	<u>1,525,852</u>	<u>1,027</u>	<u>-0-</u>	<u>274,222</u>	<u>89,688</u>	<u>1,890,789</u>	<u>2,000,806</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,995,105</u>	<u>\$ 1,027</u>	<u>\$ 69,729</u>	<u>\$ 291,413</u>	<u>\$ 97,706</u>	<u>\$ 2,454,980</u>	<u>\$ 2,339,475</u>

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

	<u>2016</u>	<u>2015</u>
Total Fund Balances - Governmental Funds	\$ 1,890,789	\$ 2,000,806
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,945,825	2,733,754
Assets such as Deferred Outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	1,234,607	546,851
Liabilities such as Deferred Inflows are not due and payable in the current period and therefore are not reported in the funds.	(410,860)	(727,527)
Net pension liability for the Teachers Fund for Retirement are not due and payable in the current period and therefore are not reported in the funds.	(6,711,978)	(5,612,185)
Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(620,000)	(690,000)
Assets such as taxes receivable and special assessment receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	153,554	71,625
Net Position - Governmental Funds	<u>\$ (1,518,063)</u>	<u>\$ (1,676,676)</u>

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

REVENUES	GENERAL	FOOD SERVICE	HEADSTART	BUILDING	DEBT SERVICE	TOTAL FUNDS	
	FUND	FUND	FUND	FUND	FUND	2016	2015
Local Sources:							
Property Taxes	\$ 1,511,352			\$ 195,266	\$ 90,290	\$ 1,796,908	\$ 1,721,644
Charges for Services		\$ 109,810				109,810	118,691
Other Revenue	15,224			21,397	145	36,766	23,049
County Sources:							
Mineral Resources	25,349					25,349	15,504
State Sources:							
Grants-In-Aid: Unrestricted	3,869,529					3,869,529	3,978,557
Grants-In-Aid: Restricted	58,996	2,320				61,316	73,337
Federal Sources:							
Property Taxes	27,581					27,581	55,405
Grants-In-Aid: Restricted							
Received Direct from U.S. Government			\$ 2,173,885			2,173,885	2,254,329
Grants-In-Aid: Restricted							
Received Through DPI	278,674	102,588				381,262	382,845
<b>TOTAL REVENUES</b>	<b>5,786,705</b>	<b>214,718</b>	<b>2,173,885</b>	<b>216,663</b>	<b>90,435</b>	<b>8,482,406</b>	<b>8,623,361</b>
<b>EXPENDITURES</b>							
Current:							
Regular Programs	2,775,760					2,775,760	2,526,034
Federal Programs	269,508		2,173,885			2,443,393	2,532,193
Improvement of Instruction	23,602					23,602	21,592
Instructional Media	72,963					72,963	67,601
School Board	130,617					130,617	113,575
Executive Administration	166,078					166,078	178,550
Support Service-Business	163,699					163,699	155,676
Operation and Maintenance of Plant	447,583					447,583	432,022
Other Support Service	81,584					81,584	77,868
Student Transportation	534,668					534,668	522,606
Extracurricular Activities	123,815					123,815	119,561
Food Services	57,090	215,263				272,353	260,899
Tuition	18,250					18,250	5,462
Special Education	685,588					685,588	602,713
Vocational Education	287,083					287,083	309,688
Debt Service:							
Principal					70,000	70,000	70,000
Interest					15,287	15,287	16,250
Capital Outlay:							
Facilities Acquisition	140,000			140,100		280,100	262,854
<b>TOTAL EXPENDITURES</b>	<b>5,977,888</b>	<b>215,263</b>	<b>2,173,885</b>	<b>140,100</b>	<b>85,287</b>	<b>8,592,423</b>	<b>8,275,144</b>
Excess of Revenues Over (Under) Expenditures	(191,183)	(545)	-0-	76,563	5,148	(110,017)	348,217
Net Changes in Fund Balances	(191,183)	(545)	-0-	76,563	5,148	(110,017)	348,217
Fund Balance - July 1	1,717,035	1,572	-0-	197,659	84,540	2,000,806	1,652,589
<b>FUND BALANCE - JUNE 30</b>	<b>\$ 1,525,852</b>	<b>\$ 1,027</b>	<b>\$ -0-</b>	<b>\$ 274,222</b>	<b>\$ 89,688</b>	<b>\$ 1,890,789</b>	<b>\$ 2,000,806</b>

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

	<u>2016</u>	<u>2015</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (110,017)	\$ 348,217
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>212,071</u>	<u>95,274</u>
Government funds report deferred outflows as expenditures however, in the statement of activities these costs do not require the use or provide a source of financial resources.	<u>687,756</u>	<u>148,970</u>
Government funds report deferred inflows as revenue however, in the statement of activities these inflows do not require the use or provide a source of financial resources.	<u>316,667</u>	<u>(727,527)</u>
Reduction or Increase of the Net Pension Liability does not require the use or provide a source of financial resources.	<u>(1,099,793)</u>	<u>644,918</u>
Governmental funds report debt retirement as expenditures however, in the statement of activities this cash outlay is not an expenditure but a reduction to a liability on the statement of net position.	<u>70,000</u>	<u>70,000</u>
Revenue from property taxes is deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when levied in the government-wide financial statements.	<u>81,929</u>	<u>796</u>
Change in Net Position of Governmental Activities	<u><u>\$ 158,613</u></u>	<u><u>\$ 580,648</u></u>

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

TOWNER PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

	AGENCY FUNDS	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash	\$ 156,055	\$ 142,834
	-----	-----
TOTAL ASSETS	<u>\$ 156,055</u>	<u>\$ 142,834</u>
LIABILITIES:		
Amounts Held For Student Groups	\$ 156,055	\$ 142,834
	-----	-----
Total Liabilities	<u>\$ 156,055</u>	<u>\$ 142,834</u>
NET POSITION:		
TOTAL LIABILITIES AND NET POSITION	<u>\$ 156,055</u>	<u>\$ 142,834</u>

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS:

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

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

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

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

FIDUCIARY FUNDS:

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

Following is a list of the major funds:

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

### C. Basis of Accounting

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

### D. Cash and Investments

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

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

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

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

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

E. Capital Assets

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

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

*Government-Wide Statements*

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

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

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

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

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements*

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

F. Compensated Absences

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

G Fund Equity

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

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

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

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

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

#### H. Order of Fund Balance Spending Policy

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

#### I. Prior Year Comparative Total Columns

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

#### NOTE 2: DEPOSITS

At June 30, 2016 the School District had deposits of \$2,413,270.64. District deposits at balance sheet date were covered by federal depository insurance or pledge of governmental securities. Securities pledged were held by the entity or its agent in the entity's name (Category II assets). North Dakota statutes require the market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance. District deposits were adequately protected.

#### NOTE 3: TAXES RECEIVABLE

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

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

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

NOTE 4: CHANGES IN CAPITAL ASSETS

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

Capital Assets:	<u>7-01-15</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-16</u>
Buildings & Improvements	\$ 4,448,077	\$ 237,382		\$ 4,685,459
Equipment	443,881			443,881
Vehicles	1,694,458	207,094	176,000	1,725,552
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Totals	6,586,416	444,476	176,000	6,854,892
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	2,676,449	65,361		2,741,810
Equipment	204,034	44,389		248,423
Vehicles	972,179	122,655	176,000	918,834
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Totals	3,852,662	232,405	176,000	3,909,067
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Government Activity				
Net Capital Assets	\$ 2,733,754	\$ 212,071	\$ -0-	\$ 2,945,825
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Depreciation was charged to functions as follows:

Governmental Activities:	<u>2016</u>	<u>2015</u>
Support Services	\$ 122,655	\$ 93,562
Depreciation - Unallocated	109,750	104,796
	<u>-----</u>	<u>-----</u>
Total Depreciation Expense - Governmental Activities	\$ 232,405	\$ 198,358
	<u>=====</u>	<u>=====</u>

NOTE 5: GENERAL LONG-TERM DEBT

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

	<u>CONTRACTS</u>
	<u>PAYABLE</u>
Debt Payable July 1	\$ 690,000
Debt Issued	-0-
Debt Retired	70,000
	<u>-----</u>
Debt Payable June 30	\$ 620,000
	<u>=====</u>
Due within one year	\$ 70,000
	<u>=====</u>

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

CONTRACTS PAYABLE

\$900,000 Limited Tax Bonds with Wells Fargo Bank for an energy management project. The contract is dated June 1, 2011 and calls for 12 annual principal payments of \$70,000 to 85,000 from August 1, 2012 through August 1, 2023 and interest payments semiannually at 1% to 3%.

\$ 620,000  
=====

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

<u>YEAR ENDING JUNE 30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	70,000	14,062	84,062
2018	75,000	12,794	87,794
2019	75,000	11,481	86,481
2020	75,000	9,888	84,888
2021	80,000	7,950	87,950
2022	80,000	5,950	85,950
2023	80,000	3,750	83,750
2024	85,000	1,275	86,275
	-----	-----	-----
TOTAL	\$ 620,000	\$ 67,150	\$ 687,150
	=====	=====	=====

NOTE 6: DEFERRED INFLOWS OF RESOURCES

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

NOTE 7: EMPLOYEE RETIREMENT SYSTEMS

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

General Information about North Dakota Teachers' Fund for Retirement

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

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

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

### Pension Benefits

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

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

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

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

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

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

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

#### Death and Disability Benefits

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

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

#### Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions 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 70 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2016, the Employer reported a liability of \$5,523,164 (from Exhibit E Column 2 in TFFR GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015 the Employer's proportion was .422307%, (from Exhibit E, Column 1 in TFFR GASB Report) which was an increase or (decrease) of (.008074) from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the Employer recognized pension expense of \$353,025 (from Exhibit E, Column 13 of TFFR GASB Report). At June 30, 2016 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Exhibit E, Columns 14-22 of TFFR GASB Report with the exception of employer contributions subsequent to the measurement date):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 36,193	\$ -0-
Changes of assumptions	620,157	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	62,282
Changes in proportion and differences between employer contributions and proportionate share of contributions	-0-	80,199
Employer contributions subsequent to the measurement date (see below)	344,743	-0-
<b>Total</b>	<b>\$ 1,001,093</b>	<b>\$ 142,481</b>

\$344,743 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (employer's subsequent fiscal year-end).

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

Year ended June 30:	
2017	\$ 49,976
2018	49,976
2019	49,976
2020	175,649
2021	96,964
Thereafter	91,328

Actuarial assumptions

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

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

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

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

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

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

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

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

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

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

	Current Discount		
	1% Decrease(6.75%)	Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$7,299,122	\$5,523,164	\$4,042,052

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

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

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

#### Death and Disability Benefits

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

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

#### Refunds of Member Account Balance

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

#### Member and Employer Contributions

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

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

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

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

At June 30, 2016 (employer's fiscal year end), the Employer reported a liability of \$1,188,814 (from Section 4, Appendix B for Main System, column 4 in NDPERS GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, (date of NDPERS GASB Report) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015 (date of NDPERS GASB Report) the Employer's proportion was .174830 percent, (from Section 4, Appendix B for Main System, Column 3 in NDPERS GASB Report) which was an increase or (decrease) of .001123 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 (employer's fiscal year-end) the Employer recognized pension expense of \$115,340 (from Section 4, Appendix B for Main System, Column 15 of NDPERS GASB Report). At June 30, 2016 (employer's fiscal year-end) the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Section 4, Appendix C for Main System, Columns 3-12 of NDPERS GASB Report with the exception of employer contributions subsequent to the measurement date):

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 34,489	\$ -0-
Changes of assumptions	-0-	105,918
Net difference between projected and actual earnings on pension plan investments	137,365	162,461
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,042	-0-
Employer contributions subsequent to the measurement date (see below)	51,618	-0-
	-----	-----
Total	\$ 233,514	\$ 268,379
	=====	=====

\$51,618 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (employer's subsequent fiscal year-end).

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

Year ended June 30:	
2017	\$ (30,172)
2018	(30,172)
2019	(30,172)
2020	21,685
2021	(17,642)
Thereafter	-0-

Actuarial assumptions

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

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

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

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

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

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

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

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

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

	Current Discount		
	1% Decrease(7%)	Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$1,822,987	\$1,188,814	\$669,946

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

NOTE 8: RISK MANAGEMENT

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

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

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

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

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

FEDERAL GRANTOR\ PASS-THROUGH GRANTOR\PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	EXPENDITURES <u>2016</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Aid:			
Head Start	93.600	NONE	\$ 2,173,884.71
Total Department of Health and Human Services			<u>2,173,884.71</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Public Instruction:			
Title I	84.010	PII019	151,640.35
Title IIA	84.367	PII046	58,073.78
Title IV	84.369	PII047	4,557.15
Passed Through Velva Public School District:			
Vocational Education (Carl Perkins Grant)	84.048	NONE	8,588.34
Passed Through North Central Education Cooperative:			
Title IV 21st Century	84.287	NONE	55,813.98
Total U. S. Department of Education			<u>278,673.60</u>
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Public Instruction:			
School Lunch Program	10.555	PII006	90,068.72
Commodities	10.567	PII014	17,694.78
Fresh Fruits and Vegetables Program	10.582	PII009	11,650.00
Nutrition Education Training	10.574	PII011	750.00
Total U. S. Department of Agriculture			<u>120,163.50</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 2,572,721.81</u></u>

See accompanying notes to schedule of expenditures of federal awards.

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of TGU Public School District No. 60 and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

	ORIGINAL BUDGET	FINAL BUDGET	BUDGET BASIS ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>				
Local Sources	\$ 1,755,167	\$ 1,755,167	\$ 1,526,576	\$ (228,591)
County Sources	10,500	10,500	25,349	14,849
State Sources	3,959,642	3,959,642	3,928,525	(31,117)
Federal Sources	310,565	310,565	306,255	(4,310)
TOTAL REVENUES	<u>6,035,874</u>	<u>6,035,874</u>	<u>5,786,705</u>	<u>(249,169)</u>
<u>EXPENDITURES</u>				
Current:				
Regular Programs	2,793,855	2,793,855	2,775,760	18,095
Federal Programs	278,695	278,695	269,508	9,187
Improvement of Instruction	24,965	24,965	23,602	1,363
Instructional Media	72,120	72,120	72,963	(843)
School Board	136,542	136,542	130,617	5,925
Executive Administration	162,952	162,952	166,078	(3,126)
Support Service - Business	169,600	169,600	163,699	5,901
Operation and Maintenance of Plant	478,790	478,790	447,583	31,207
Other Support Services	80,290	80,290	81,584	(1,294)
Student Transportation	602,120	602,120	534,668	67,452
Extracurricular Activities	119,050	119,050	123,815	(4,765)
Food Services	46,000	46,000	57,090	(11,090)
Tuition	5,600	5,600	18,250	(12,650)
Special Education	716,315	716,315	685,588	30,727
Vocational Education	298,385	298,385	287,083	11,302
Capital Outlay	40,000	40,000	140,000	(100,000)
TOTAL EXPENDITURES	<u>6,025,279</u>	<u>6,025,279</u>	<u>5,977,888</u>	<u>47,391</u>
Excess of Revenues Over (Under) Expenditures	10,595	10,595	(191,183)	(201,778)
Fund Balance - July 1	1,717,035	1,717,035	1,717,035	-0-
FUND BALANCE - JUNE 30	<u>\$ 1,727,630</u>	<u>\$ 1,727,630</u>	<u>\$ 1,525,852</u>	<u>\$ (201,778)</u>

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

TGU Public School District No. 60  
Towner, North Dakota

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

	<u>2016</u>	<u>2015</u>
1. Employer's proportion of the net pension liability (asset). Exhibit E, Column 1	.422307%	.430381%
2. Employer's proportionate share of the net pension liability (asset). Exhibit E, Column 2	\$ 5,523,164	\$ 4,509,630
3. Employer's covered-employee payroll. Exhibit E, Column 3	\$ 2,597,628	\$ 2,496,437
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll. Calculate, 2 divided by 3	212.62%	180.64%
5. Plan fiduciary net position as a percentage of the total pension liability. Exhibit 2	62.1%	66.6%

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

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

TGU Public School District No. 60  
Towner, North Dakota

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

	<u>2016</u>	<u>2015</u>
1. Statutorily required contribution Exhibit E, Column 7	\$ 331,182	\$ 268,365
2. Contributions in relation to the statutorily required contribution Exhibit E, Column 8	\$ (331,182)	\$ (268,365)
3. Contribution deficiency (excess) Exhibit E, Column 9	\$ -0-	\$ -0-
4. Employer's covered-employee payroll Exhibit E, Column 3	\$ 2,597,628	\$ 2,496,437
5. Contributions as a percentage of covered-employee payroll Exhibit E, Column 10	12.75%	10.75%

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

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

TGU Public School District No. 60  
Towner, North Dakota

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

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

	<u>2016</u>	<u>2015</u>
1. Employer's proportion of the net pension liability (asset). Section 4 Appendix B Column 3	.174830%	.173707%
2. Employer's proportionate share of the net pension liability (asset). Section 4 Appendix B Column 4	\$ 1,188,814	\$ 1,102,555
3. Employer's covered-employee payroll. Section 4 Appendix B Column 5	\$ 1,557,522	\$ 1,463,268
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll. Calculate, 2 divided by 3	76.33%	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability. Section 2 Exhibit 2 for Main System	77.70%	72.12%

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

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

TGU Public School District No. 60  
Towner, North Dakota

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

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

	<u>2016</u>	<u>2015</u>
1. Statutorily required contribution. Column 9	\$ 118,306	\$ 104,185
2. Contributions in relation to the statutorily required contribution. Column 10	\$ (122,076)	\$ (104,185)
3. Contribution deficiency (excess). Column 11	\$ (3,770)	-0-
4. Employer's covered-employee payroll. Column 5	\$ 1,557,522	\$ 1,463,268
5. Contributions as a percentage of covered-employee payroll. Column 12	7.60%	7.12%

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

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

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

NOTE 2: CHANGES OF ASSUMPTIONS

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

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

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

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

	BALANCE <u>7-01-15</u>	RECEIPTS	DISBURSEMENTS	BALANCE <u>6-30-16</u>
<u>GENERAL FUND TYPE</u>				
General Fund	\$ 1,688,587.25	\$ 5,922,736.12	\$ 5,788,774.56	\$ 1,822,548.81
<u>SPECIAL REVENUE FUND TYPE</u>				
Food Service Fund	1,571.87	214,718.40	215,263.59	1,026.68
Head Start Fund	115,250.27	2,136,614.11	2,182,135.14	69,729.24
<u>CAPITAL PROJECTS FUND TYPE</u>				
Building Fund	197,658.87	216,662.66	140,099.50	274,222.03
<u>DEBT SERVICE FUND TYPE</u>				
Debt Service Fund	84,540.50	90,435.43	85,287.50	89,688.43
<u>AGENCY FUND TYPES</u>				
FFA Fund	33,845.91	33,325.85	32,911.96	34,259.80
Student Activity Fund	108,988.09	171,631.54	158,823.98	121,795.65
TOTAL ALL FUND	<u>\$ 2,230,442.76</u>	<u>\$ 8,786,124.11</u>	<u>\$ 8,603,296.23</u>	<u>\$ 2,413,270.64</u>

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

HEAD START GRANT NO. 08CH0046/01 AND 08CH0046/02  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
PA 20 FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016  
SPECIAL REVENUE FUNDS

REVENUES - PA 20

OHD's Funds	
Amount Awarded this Period	\$ 6,413.59
Grantee's Contribution	
In-Kind Contribution	1,603.40
	-----
Total Revenues	8,016.99
	-----

EXPENSES - PA 20

OHD's Shares	
Training	6,413.59
	-----
Total OHD's Share	6,413.59
Grantee's Share	
In-Kind Contribution	1,603.40
	-----
Total Expenses	8,016.99
	-----
Revenue Over (Under) Expenditures	-0-
Fund Balance Adjustments	-0-
Beginning Balance	-0-
	-----
TOTAL FUND BALANCE AT JUNE 30	\$ -0-
	=====

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

HEAD START GRANT NO. 08CH0046/01 AND 08CH0046/02  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
PA 22 FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016  
SPECIAL REVENUE FUND

REVENUES - PA 22

OHD's Funds	
Amount Awarded this Period	\$ 1,351,732.58
Grantee's Contribution	
In-Kind Contribution	337,933.15
	-----
Total Revenues	1,689,665.73
	-----

EXPENSES - PA 22

OHD's Shares	
Program Wide Functions	33,752.06
Administrative Functions	7,435.68
Ed/Disabilities Functions	7,480.50
Home-Family Visitor/Teacher Functions	1,103,408.49
Health/Nutrition Functions	12,659.45
Family Services Functions	7,180.55
Facilities/Occupancy Functions	129,788.45
Transportation Functions	50,027.40
	-----
Total OHD's Share	1,351,732.58
Grantee's Share	
In-Kind Contribution	337,933.15
	-----
Total Expenses	1,689,665.73
	-----
Revenue Over (Under) Expenditures	-0-
Fund Balance Adjustments	-0-
Beginning Balance	-0-
	-----
TOTAL FUND BALANCE AT JUNE 30	\$ -0-
	=====

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

EARLY HEAD START GRANT NO. 08CH0046/01 AND 08CH0046/02  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
PA 25 FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016  
SPECIAL REVENUE FUND

REVENUES - PA 25

OHD's Funds	
Amount Awarded this Period	\$ 796,643.99
Grantee's Contribution	
In-Kind Contribution	199,161.00
	-----
Total Revenues	995,804.99
	-----

EXPENSES - PA 25

OHD's Shares	
Program Wide Functions	22,947.00
Administrative Functions	5,686.27
Ed/Disabilities Functions	4,624.11
Home-Family Visitor/Teacher Functions	672,302.67
Health/Nutrition Functions	9,783.74
Family Services Functions	2,152.95
Facilities/Occupancy Functions	61,052.76
Transportation Functions	18,094.49
	-----
Total OHD's Share	796,643.99
Grantee's Share	
In-Kind Contribution	199,161.00
	-----
Total Expenses	995,804.99
	-----
Revenues Over (Under) Expenditures	-0-
Fund Balance Adjustments	-0-
Beginning Balance	-0-
	-----
TOTAL FUND BALANCE AT JUNE 30	\$ -0-
	=====

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

EARLY HEAD START GRANT NO. 08CH0046/01 AND 08CH0046/02  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
PA 21 FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016  
SPECIAL REVENUE FUNDS

REVENUES - PA 21

OHD's Funds	
Amount Awarded this Period	\$ 19,094.55
Grantee's Contribution	
In-Kind Contribution	4,773.64
	-----
Total Revenues	23,868.19
	-----

EXPENSES - PA 21

OHD's Shares	
Training	19,094.55
	-----
Total OHD's Share	19,094.55
Grantee's Share	
In-Kind Contribution	4,773.64
	-----
Total Expenses	23,868.19
	-----
Revenue Over (Under) Expenditures	-0-
Fund Balance Adjustments	-0-
Beginning Balance	-0-
	-----
TOTAL FUND BALANCE AT JUNE 30	\$ -0-
	=====

TGU PUBLIC SCHOOL DISTRICT NO. 60  
TOWNER, NORTH DAKOTA

SCHOOL DISTRICT OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2016

Doug Dragseth	Board President
Kevin Cross	Board Vice-President
Pat Bachmeier	Board Member
Terry Bailey	Board Member
Laura Lunde	Board Member
Seth Thorson	Superintendent
Renae Linstrom	Business Manager