

**THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
THOMPSON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
ROSTER OF SCHOOL OFFICIALS
AT JUNE 30, 2017

Shannon Sporbert-Webber	President
Jon Wolfgram	Vice President
Tom Stoe	Board Member
Tim Myron	Board Member
Paul Nistler	Board Member
LuAnn Kysilka	Business Manager
John Maus	Superintendent



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Thompson Public School District No. 61
Thompson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Thompson Public School District No. 61, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Thompson Public School District No. 61, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund statements, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund statements 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 combining non-major fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

September 13, 2017

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2017

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

FINANCIAL HIGHLIGHTS

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

- Net Position of the District increased \$300,356 as a result of the current year operations.
- Governmental net position totaled \$1,900,378.
- Total revenues from all sources were \$6,338,056.
- Total expenses were \$6,037,700.
- The District's General Fund had \$5,780,865 in total revenues and other financing sources and \$5,605,663 in expenditures. Overall the General Fund balance decreased by \$524,798 for the year ended June 30, 2017, compared to an increase of \$395,036 in the previous year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Thompson Public School District No. 61 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific activities.

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Position and the Statement of Activities

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2017

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

As indicated in the financial highlights, the District's net position increased by \$300,356 for the year ended June 30, 2017. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$1,900,378 is segregated into three separate categories. Net investment in capital assets (net of related debt) is not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The unrestricted net position is available to meet the District's ongoing obligations.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2017

Table 1
Statement of Net Position

Table 1 Net Position

	2017	2016
Assets		
Current Assets	\$ 3,221,776	\$ 2,005,140
Capital Assets (Net of Related Debt)	4,420,928	4,070,406
Total Assets	7,642,704	6,075,546
Deferred Inflows of Resources		
Cost Sharing Defined Benefit Pension Plan	1,304,683	787,154
Liabilities		
Current Liabilities	319,562	161,430
Long-Term Liabilities	6,583,377	4,909,136
Total Liabilities	6,902,939	5,070,566
Deferred Outflows of Resources		
Cost Sharing Defined Benefit Pension Plan	144,070	192,112
Net Position		
Net Investment in Capital Assets	2,840,928	3,430,406
Restricted for Debt Service	57,852	67,430
Restricted for Capital Projects	4,528	-
Unrestricted	(1,002,930)	(1,897,814)
Total Net Position	\$ 1,900,378	\$ 1,600,022

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2017

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

Table 2 Changes in Net Position

	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 366,486	\$ 194,336
Operating Grants and Contributions	352,921	308,606
General Revenues		
Taxes	1,113,238	838,713
State Aid	4,487,670	4,157,651
Investment Earnings	11,181	3,010
Other Revenues	6,560	117,518
Total Revenues	6,338,056	5,619,834
Expenses		
Business Support Services	74,377	72,829
Instructional Support Services	208,323	190,616
Administration	669,200	563,486
Operations and Maintenance	1,108,388	683,546
Transportation	371,936	205,363
Regular Instruction	2,432,977	2,434,493
Special Education	623,840	569,395
Vocational Education	95,121	85,402
Extra-Curricular Activities	165,434	141,096
Food Services	255,711	245,713
Interest and Fees on Long-Term Debt	32,393	21,520
Total Expenses	6,037,700	5,213,459
Changes in Net Position	\$ 300,356	\$ 406,375

Property taxes constitute 17.56% and 14.92%, state aid 70.81% and 73.98%, operating grants and contributions 5.57% and 5.49%, and charges for services make up 5.78% and 3.46% of the total revenues of governmental activities of the District for fiscal years 2017 and 2016, respectively.

Regular instruction comprised 40.30% and 46.70% of District expenses for fiscal years 2017 and 2016, respectively.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2017

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

Table 3

	Total Cost for Year Ended 6/30/2017	Net Cost for Year Ended 6/30/2017	Total Cost for Year Ended 6/30/2016	Net Cost for Year Ended 6/30/2016
Business Support Services	\$ 74,377	\$ (74,377)	\$ 72,829	\$ (72,829)
Instructional Support Services	208,323	(208,323)	190,616	(190,616)
Administration	669,200	(669,200)	563,486	(563,486)
Operations and Maintenance	1,108,388	(1,108,388)	683,546	(683,546)
Transportation	371,936	(267,078)	205,363	(96,448)
Regular Instruction	2,432,977	(2,222,625)	2,434,493	(2,378,789)
Special Education	623,840	(533,475)	569,395	(529,800)
Vocational Education	95,121	(63,167)	85,402	(56,878)
Extra-Curricular Activities	165,434	(165,434)	141,096	(141,096)
Food Services	255,711	26,167	245,713	24,491
Interest and Fees on Long-Term Debt	32,393	(32,393)	21,520	(21,520)
Total Expenses	<u>\$ 6,037,700</u>	<u>\$ (5,318,293)</u>	<u>\$ 5,213,459</u>	<u>\$ (4,710,517)</u>

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

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

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

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

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

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

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2017

Food services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$6,333,716 and \$5,618,929 and net expenditures of \$6,270,340 and \$5,113,571 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the total fund balance of the District's general fund was \$1,093,540 and \$1,618,338 and total fund balance for all the District's governmental funds was \$2,937,641 and \$1,879,265, respectively.

GENERAL FUND BUDGETING HIGHLIGHTS

During the course of the 2017 fiscal year, the District received \$64,140 more revenues and incurred \$236,062 less expenditures than budgeted. This is primarily the result of less other local source revenue received during the year as well as less administration, operations and maintenance, transportation and instruction expenditures incurred than anticipated during the budgeting process.

CAPITAL ASSETS

As of June 30, 2017 and 2016, the District had \$4,420,928 and \$4,070,406, respectively, invested in net capital assets. Table 4 shows total capital asset balances as of June 30, 2017 and 2016. See Note 4 for details.

Table 4

	2017	2016
Land	\$ 51,866	\$ 51,866
CIP	377,701	-
Buildings	2,437,758	2,536,816
Equipment	1,553,603	1,481,724
Total	\$ 4,420,928	\$ 4,070,406

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2017

DEBT ADMINISTRATION:

As of June 30, 2017, the District had \$6,639,377 in outstanding debt. The net increase in the District debt was \$1,674,241 from June 30, 2016. See below for description of the District's debt:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Due in One Year
General Obligation School Building Refunding Bonds of 2012	\$ 640,000	\$ -	\$ 55,000	\$ 585,000	\$ 55,000
Limited Tax School Building Fund Bonds of 2017	-	995,000	-	995,000	-
Compensated Absences	19,680	2,281	2,164	19,797	1,000
Net Pension Liability	4,305,456	1,376,064	641,940	5,039,580	-
Total	\$4,965,136	\$2,373,345	\$ 699,104	\$6,639,377	\$ 56,000

FOR THE FUTURE:

Our enrollment has steadily increased over the past few years; therefore, we will be considering options such as hiring additional staff, including teachers and para-professionals. We will also continue to look at sharing resources with other schools such as instructors, in-service agendas, and equipment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting LuAnn Kysilka, Business Manager, Thompson Public School District, P.O. Box 269, Thompson, ND 58278.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 3,048,416
Grants Receivable	18,769
Due From Other Districts	88,346
Taxes Receivable	66,245
Total Current Assets	3,221,776
Non-Current Assets:	
Capital Assets	9,460,330
Less Accumulated Depreciation	5,039,402
Total Non-Current Assets	4,420,928
TOTAL ASSETS	7,642,704
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,194,965
Cost Sharing Defined Benefit Pension Plan - NDPERS	109,718
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,304,683
LIABILITIES	
Current Liabilities:	
Accounts Payable	183,699
Accrued Liabilities	69,601
Interest Payable	10,262
Current Portion of Bonds Payable	55,000
Compensated Absences	1,000
Total Current Liabilities	319,562
Non-Current Liabilities:	
Compensated Absences (Net of Current Portion)	18,797
Bonds Payable (Net of Current Portion)	1,525,000
Net Pension Liability	5,039,580
Total Non-Current Liabilities	6,583,377
TOTAL LIABILITIES	6,902,939
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	107,730
Cost Sharing Defined Benefit Pension Plan - NDPERS	36,340
TOTAL DEFERRED INFLOWS OF RESOURCES	144,070
NET POSITION	
Net Investment in Capital Assets	2,840,928
Restricted for Debt Service	57,852
Restricted for Capital Projects	4,528
Unrestricted	(1,002,930)
TOTAL NET POSITION	\$ 1,900,378

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 74,377	\$ -	\$ -	\$ (74,377)
Instructional Support Services	208,323	-	-	(208,323)
Administration	669,200	-	-	(669,200)
Operations and Maintenance	1,108,388	-	-	(1,108,388)
Transportation	371,936	-	104,858	(267,078)
Regular Instruction	2,432,977	113,709	96,643	(2,222,625)
Special Education	623,840	51,166	39,199	(533,475)
Vocational Education	95,121	-	31,954	(63,167)
Extra-Curricular Activities	165,434	-	-	(165,434)
Food Services	255,711	201,611	80,267	26,167
Interest and Fees on Long-Term Debt	32,393	-	-	(32,393)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,037,700	\$ 366,486	\$ 352,921	(5,318,293)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				844,314
Property Taxes, Levied for Debt Service				98,615
Property Taxes, Levied for Capital Projects				170,309
Aids and Payments from the State				4,487,670
Unrestricted Investment Earnings				11,181
Other Revenues				6,560
TOTAL GENERAL REVENUES				5,618,649
Change in Net Position				300,356
Net Position - Beginning				1,600,022
Net Position - Ending				\$ 1,900,378

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	General Fund	Building Fund	Bond Sinking Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 1,031,459	\$ 1,699,095	\$ 64,331	\$ 253,531	\$ 3,048,416
Property Taxes Receivable	49,753	10,413	3,783	2,296	66,245
Due from Other Districts	88,346	-	-	-	88,346
Grants Receivable	18,769	-	-	-	18,769
TOTAL ASSETS	<u>\$ 1,188,327</u>	<u>\$ 1,709,508</u>	<u>\$ 68,114</u>	<u>\$ 255,827</u>	<u>\$ 3,221,776</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Accounts Payable	\$ 1,537	\$ 181,735	\$ -	\$ 427	\$ 183,699
Accrued Liabilities	69,601	-	-	-	69,601
TOTAL LIABILITIES	<u>71,138</u>	<u>181,735</u>	<u>-</u>	<u>427</u>	<u>253,300</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	23,649	4,528	1,567	1,091	30,835
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>23,649</u>	<u>4,528</u>	<u>1,567</u>	<u>1,091</u>	<u>30,835</u>
FUND BALANCES					
Restricted	-	617,299	66,547	-	683,846
Committed	-	-	-	135,089	135,089
Assigned	-	905,946	-	119,220	1,025,166
Unassigned	1,093,540	-	-	-	1,093,540
TOTAL FUND BALANCES	<u>1,093,540</u>	<u>1,523,245</u>	<u>66,547</u>	<u>254,309</u>	<u>2,937,641</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,188,327</u>	<u>\$ 1,709,508</u>	<u>\$ 68,114</u>	<u>\$ 255,827</u>	<u>\$ 3,221,776</u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

Total fund balance - governmental funds \$ 2,937,641

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in governmental funds.

Cost	\$	9,460,330	
Less: Accumulated Depreciation		5,039,402	
Net		4,420,928	4,420,928

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) or resources in the governmental funds. 1,160,613

Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unearned in the funds. 30,835

Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Bonds Payable		(1,580,000)	
Compensated Absences		(19,797)	
Net Pension Liability		(5,039,580)	

Interest payable is not due and payable in the current period and, therefore is not reported as a liability in the governmental fund. (10,262)

Net Position - Governmental Activities \$ 1,900,378

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Bond Sinking Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Taxes	\$ 839,974	\$ 170,309	\$ 59,239	\$ 39,376	\$ 1,108,898
Other Local Sources	171,435	-	-	201,611	373,046
Revenue from State Sources	4,616,556	-	-	-	4,616,556
Revenue from Federal Sources	143,768	-	-	80,267	224,035
Interest	9,132	1,839	188	22	11,181
TOTAL REVENUES	5,780,865	172,148	59,427	321,276	6,333,716
EXPENDITURES					
Current:					
Business Support Services	74,377	-	-	-	74,377
Instructional Support Services	208,323	-	-	-	208,323
Administration	669,200	-	-	-	669,200
Operations and Maintenance	991,826	17,504	-	-	1,009,330
Transportation	315,626	-	-	-	315,626
Regular Instruction	2,078,313	-	-	-	2,078,313
Special Education	623,840	-	-	-	623,840
Vocational Education	95,121	-	-	-	95,121
Extra-Curricular Activities	165,434	-	-	-	165,434
Food Services	-	-	-	255,711	255,711
Capital Outlay:					
Capital Outlay	314,183	377,701	-	-	691,884
Debt Service:					
Principal Retirement	55,000	-	-	-	55,000
Interest and Fees on Long-Term Debt	14,420	13,761	-	-	28,181
TOTAL EXPENDITURES	5,605,663	408,966	-	255,711	6,270,340
Excess (Deficiency) of Revenues Over Expenditures	175,202	(236,818)	59,427	65,565	63,376
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	995,000	-	-	995,000
Transfers In	-	700,000	-	-	700,000
Transfers Out	(700,000)	-	-	-	(700,000)
TOTAL OTHER FINANCING SOURCES (USES)	(700,000)	1,695,000	-	-	995,000
Net Change in Fund Balances	(524,798)	1,458,182	59,427	65,565	1,058,376
Fund Balances - Beginning	1,618,338	65,063	7,120	188,744	1,879,265
Fund Balances - Ending	\$ 1,093,540	\$ 1,523,245	\$ 66,547	\$ 254,309	\$ 2,937,641

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - Governmental Funds \$ 1,058,376

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 691,884	
Depreciation Expense	<u>(302,044)</u>	389,840
Loss on Disposal of Capital Assets		(39,318)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		55,000
Change in net pension liability		(734,124)
Issuance of long-term debt is reported as revenue in governmental funds. However, the issuance increases long-term liabilities in the statement of net position.		(995,000)
Increase in compensated absences		(117)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of: Net change in deferred property taxes		4,340
Changes in deferred outflows and inflows of resources related to net pension liability		565,571
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest increased by \$ 4,212		<u>(4,212)</u>
Change in Net Position - Governmental Activities		<u><u>\$ 300,356</u></u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF ASSETS AND LIABILITIES- FIDUCIARY FUNDS
AS OF JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	<u>\$ 88,336</u>
TOTAL ASSETS	<u><u>\$ 88,336</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 88,336</u>
TOTAL LIABILITIES	<u><u>\$ 88,336</u></u>

See Notes to the Financial Statements

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Thompson Public School District operates the public schools in the City of Thompson, North Dakota. There is one elementary school and one junior/senior high school that is enclosed in one building.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation:

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

Government-Wide Financial Statements:

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

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

As a general rule, the effect of inter-fund activity has been eliminated from the District-wide statements.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

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

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

General Fund

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

Building Fund

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

Bond Sinking Fund

The Bond Sinking fund is used to account for the accumulation of resources for, and the payments of bonds.

The District's non-major governmental funds are as follows:

Food Service Fund

This Food Service fund is used to account for the accumulation of revenue and proceeds and for the payments of expenditures related to the providing of meals at the District.

Special Reserve Fund

The Special Reserve fund is used to account for the proceeds of certain specific revenue sources that are committed for specified purposes.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

Fiduciary Funds:

The reporting focus of fiduciary funds is on net position and changes in net position. The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of operations. The District's agency fund consists of the following:

Student Activity Fund

The fund accounts for the financial transactions related to the District's student programs.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Basis of Accounting:

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

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

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

Revenues - Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Cash and Cash Equivalents:

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

Investments:

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

Fair Value Measurements:

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

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

Capital Assets:

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

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings	50 Years
Equipment	5 to 20 Years

Short-Term and Long-Term Obligations:

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

Compensated Absences:

Vacation and sick pay applies to full-time non-certified staff and is recorded as an expenditure when paid.

Sick leave for full time employees will be accumulated at the rate of one day for each month of continuous service, not to exceed 12 days per year. Sick leave for full-time employees will be allowed to accumulate to a maximum of 90 days. Sick leave for part-time employees will not exceed 12 days for twelve month employees and 9 days for nine month employees. Sick leave for part-time employees will be allowed to accumulate to a maximum of 90 days for twelve month employees and 54 days for nine month employees. Teachers with 20 years of service or more to the District will be reimbursed \$20 for each unused accumulated sick leave day, not to exceed 90 days when they resign or retire.

Full-time employees are eligible for anywhere from five to twenty vacation days depending on years of service. Not more than five days of vacation may be carried over to the next fiscal year. Upon termination of employment, all unused vacation earned will be paid.

Pensions:

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and TFFR.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classifications:

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

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

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

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

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

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

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

The school board has set a General Fund minimum fund balance target at 25% of expenditures and recurring transfers.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

Deferred Outflows/Inflows of Resources:

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

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

Net Position:

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

Inter-fund Activity:

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

Extraordinary and Special Items:

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

Estimates:

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

Revenue Recognition - Property Taxes:

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

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

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

Significant Group Concentrations of Credit Risk:

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

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits:

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

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

At June 30, 2017, the carrying amount of the District's deposits was \$3,136,752 and the bank balance was \$3,470,843. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk:

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

- a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- d. Obligations of the state.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

Custodial Credit Risk – Investments:

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital asset account group during the year:

Governmental Activities	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	\$ 51,866	\$ -	\$ -	\$ 51,866
Construction in Progress	-	377,701	-	377,701
Total Capital Assets Not Being Depreciated	<u>51,866</u>	<u>377,701</u>	<u>-</u>	<u>429,567</u>
Capital Assets Being Depreciated				
Buildings	5,804,581	-	-	5,804,581
Equipment	3,117,091	314,183	205,092	3,226,182
Total Capital Assets Being Depreciated	<u>8,921,672</u>	<u>314,183</u>	<u>205,092</u>	<u>9,030,763</u>
Less Accumulated Depreciation				
Buildings	3,267,765	99,058	-	3,366,823
Equipment	1,635,367	202,986	165,774	1,672,579
Total Accumulated Depreciation	<u>4,903,132</u>	<u>302,044</u>	<u>165,774</u>	<u>5,039,402</u>
Net Capital Assets Being Depreciated	<u>4,018,540</u>	<u>12,139</u>	<u>39,318</u>	<u>3,991,361</u>
Net Capital Assets for Governmental Activities	<u>\$ 4,070,406</u>	<u>\$ 389,840</u>	<u>\$ 39,318</u>	<u>\$ 4,420,928</u>

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

	Depreciation	Additions
Elementary and Secondary Regular Instruction	\$ 146,676	\$ 154,028
Operations and Maintenance	99,058	377,701
Transportation	56,310	160,155
Total	<u>\$ 302,044</u>	<u>\$ 691,884</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

NOTE 5 LONG-TERM DEBT

The School District issued a bond and took out loans to provide funding for the construction of additions and improvements to existing facilities. Long-term debt is as follows:

	Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Due in One Year
General Obligation School Building Refunding Bonds of 2012	\$ 640,000	\$ -	\$ 55,000	\$ 585,000	\$ 55,000
Limited Tax School Building Fund Bonds of 2017	-	995,000	-	995,000	-
Compensated Absences	19,680	2,281	2,164	19,797	1,000
Net Pension Liability	4,305,456	1,376,064	641,940	5,039,580	-
Total	\$ 4,965,136	\$ 2,373,345	\$ 699,104	\$ 6,639,377	\$ 56,000

Compensated absences and net pension liability are generally liquidated through the general fund.

Interest expense was \$28,181 for the year ended June 30, 2017.

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ending June 30	2012 General Obligation School Building Refunding Bonds		
	Principal	Interest	Total
2018	\$ 55,000	\$ 12,870	\$ 67,870
2019	55,000	11,770	66,770
2020	55,000	10,670	65,670
2021	55,000	9,474	64,474
2022	60,000	8,123	68,123
2023-2027	305,000	19,033	324,033
Total	\$ 585,000	\$ 71,940	\$ 656,940

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

Year Ending June 30	2017 Limited Tax School Building Fund Bonds		
	Principal	Interest	Total
2018	\$ -	\$ 14,034	\$ 14,034
2019	95,000	19,587	114,587
2020	100,000	16,000	116,000
2021	100,000	14,250	114,250
2022	100,000	12,500	112,500
2023-2027	500,000	35,860	535,860
2028	100,000	960	100,960
Total	<u>\$ 995,000</u>	<u>\$ 113,191</u>	<u>\$1,108,191</u>

NOTE 6 FUND BALANCES

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

	General Fund	Building Fund	Bond Sinking Fund	Food Service	Special Reserve	Total
Restricted for:						
Debt Service	\$ -	\$ -	\$ 66,547	\$ -	\$ -	\$ 66,547
Capital Projects	-	617,299	-	-	-	617,299
Committed						
Special Reserve	-	-	-	-	135,089	135,089
Assigned to:						
Food Service	-	-	-	119,220	-	119,220
Capital Projects	-	905,946	-	-	-	905,946
Unassigned						
General Fund	1,093,540	-	-	-	-	1,093,540
Total Restricted	<u>\$ 1,093,540</u>	<u>\$ 1,523,245</u>	<u>\$ 66,547</u>	<u>\$ 119,220</u>	<u>\$ 135,089</u>	<u>\$ 2,937,641</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

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Tier 2

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

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

Death and Disability Benefits

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

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

Contributions

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

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

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AS OF JUNE 30, 2017

Pension Costs

At June 30, 2017, the District reported a liability of \$4,702,535 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016, the Employer's proportion was 0.320979%, which was an increase of 0.010108% from its proportion measured at July 1, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of \$438,129. At June 30, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 22,210	\$ 22,265
Changes in actuarial assumptions	392,798	-
Difference between projected and actual investment earnings	390,908	-
Changes in proportion	101,127	85,465
Contributions paid to TFFR subsequent to the measurement date	287,922	-
Total	<u>\$ 1,194,965</u>	<u>\$ 107,730</u>

\$287,922 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. That amount also includes required employee payments *picked up* by the District per IRC Section 414.h.2. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 144,828
2019	144,828
2020	240,348
2021	180,543
2022	75,624
Thereafter	13,142

Actuarial Assumptions

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

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

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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, 2016, funding actuarial valuation for TFFR.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6.75%	Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
School's proportionate share of the TFFR net pension liability:	\$ 6,099,541	\$ 4,702,535	\$ 3,538,960

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

North Dakota Public Employees' Retirement 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.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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Member and Employer Contributions

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

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

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

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

At June 30, 2017, the District reported a liability of \$337,045 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the District's proportion was 0.034583%, which was a decrease of 0.000670% from its proportion measured at June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$40,744. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 5,063	\$ 3,121
Difference between contribution and proportionate share contribution	31,071	16,744
Changes in actuarial assumptions	47,023	-
Difference between projected and actual investment earnings	-	16,475
Contributions paid to NDPERS subsequent to the measurement date	26,561	-
Total	<u>\$ 109,718</u>	<u>\$ 36,340</u>

\$26,561 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense Amount
2018	\$ 7,416
2019	7,416
2020	17,674
2021	9,969
2022	4,342

Actuarial Assumptions

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1% Decrease in Discount Rate 7.00%	Discount Rate 8.00%	1% Increase in Discount Rate 9.00%
School's proportionate share of the NDPERS net pension liability:	\$ 478,092	\$ 337,045	\$ 218,206

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
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The District participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The District pays an annual premium to the Fire and Tornado fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage with a limit of \$800,000. The State Bonding Fund does not currently charge a premium for this coverage.

The District carries commercial insurance for employees health and the District also participates in the workers' compensation program through the State of North Dakota. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 TRANSFERS

The transfers as of June 30, 2017 consist of the following:

Transfer In	Transfer Out	Amount
Building Fund	General Fund	\$ 700,000
		\$ 700,000

NOTE 10 COMMITMENTS

Construction Commitments

The District currently has construction in progress of a new school addition as described in Note 4. Total contract commitments are \$1,592,135. Total construction as of June 30, 2017 totaled \$377,701.

NOTE 11 CONTINGENT LIABILITIES

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

NOTE 12 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2017 was \$18,414.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

NOTE 13 NEW PRONOUNCEMENTS

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

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

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

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

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2017

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

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

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

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

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

NOTE 14 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 13, 2017, which is the date these financial statements were available to be issued.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
Local Property Taxes	\$ 818,100	\$ 818,100	\$ 839,974	\$ 21,874
Other Local Sources	140,000	140,000	171,435	31,435
Revenue from State Sources	4,618,335	4,618,335	4,616,556	(1,779)
Revenue from Federal Sources	138,790	138,790	143,768	4,978
Interest	1,500	1,500	9,132	7,632
TOTAL REVENUES	<u>5,716,725</u>	<u>5,716,725</u>	<u>5,780,865</u>	<u>64,140</u>
EXPENDITURES				
Business Support Services	77,476	77,476	74,377	(3,099)
Instructional Support Services	245,589	245,589	208,323	(37,266)
Administration	835,917	835,917	669,200	(166,717)
Operations and Maintenance	1,042,867	1,042,867	991,826	(51,041)
Transportation	376,851	376,851	315,626	(61,225)
Regular Instruction	2,275,939	2,275,939	2,078,313	(197,626)
Special Education	606,838	606,838	623,840	17,002
Vocational Education	86,016	86,016	95,121	9,105
Capital Outlay	125,000	125,000	314,183	189,183
Principal Retirement	-	-	55,000	55,000
Interest and Fees On Long-Term Debt	-	-	14,420	14,420
Extra-Curricular Activities	169,232	169,232	165,434	(3,798)
TOTAL EXPENDITURES	<u>5,841,725</u>	<u>5,841,725</u>	<u>5,605,663</u>	<u>(236,062)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(125,000)</u>	<u>(125,000)</u>	<u>175,202</u>	<u>300,202</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	(700,000)	(700,000)	(700,000)	-
TOTAL OTHER FINANCING SOURCES	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Net Change in Fund Balances	(825,000)	(825,000)	(524,798)	300,202
Fund Balances - Beginning	1,618,338	1,618,338	1,618,338	-
Fund Balances - Ending	<u>\$ 793,338</u>	<u>\$ 793,338</u>	<u>\$ 1,093,540</u>	<u>\$ 300,202</u>

See Note to the Budgetary Comparison Schedule

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year, budgeted expenditures exceeded actual expenditures by \$236,062.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR/NDPERS RETIREMENT PLANS
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 287,922	\$ (287,922)	-	\$ 2,258,242	12.75%
2016	265,899	(265,899)	-	2,085,483	12.75%
2015	243,803	(243,803)	-	1,912,181	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 26,561	\$ (26,561)	-	\$ 366,651	7.24%
2016	26,403	(26,403)	-	365,776	7.22%
2015	24,156	(24,156)	-	332,743	7.26%

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

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.320979%	\$ 4,702,535	\$ 2,085,482	225.49%	59.20%
2016	0.310871%	4,065,742	1,912,181	212.62%	62.10%
2015	0.321196%	3,365,565	1,863,106	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.034583%	\$ 337,045	\$ 365,776	92.15%	70.46%
2016	0.035253%	239,714	332,743	72.04%	77.15%
2015	0.038066%	241,613	323,403	74.71%	77.70%

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

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

See Note to the Required Supplementary Information

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

NDPERS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

	<u>Food Service</u>	<u>Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Cash	\$ 119,647	\$ 133,884	\$ 253,531
Property Taxes Receivable	-	2,296	2,296
TOTAL ASSETS	<u>\$ 119,647</u>	<u>\$ 136,180</u>	<u>\$ 255,827</u>
LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 427	-	\$ 427
TOTAL LIABILITIES	<u>427</u>	<u>-</u>	<u>427</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes	-	1,091	1,091
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>1,091</u>	<u>1,091</u>
FUND BALANCES			
Committed	-	135,089	135,089
Assigned	119,220	-	119,220
TOTAL FUND BALANCES	<u>119,220</u>	<u>135,089</u>	<u>254,309</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 119,647</u>	<u>\$ 136,180</u>	<u>\$ 255,827</u>

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Food Service</u>	<u>Special Reserve</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Local Property Taxes	\$ -	\$ 39,376	\$ 39,376
Other Local Sources	201,611	-	201,611
Revenue from Federal Sources	80,267	-	80,267
Interest	22	-	22
TOTAL REVENUES	<u>281,900</u>	<u>39,376</u>	<u>321,276</u>
EXPENDITURES			
Current:			
Food Services	255,711	-	255,711
TOTAL EXPENDITURES	<u>255,711</u>	<u>-</u>	<u>255,711</u>
Excess of Revenues Over Expenditures	<u>26,189</u>	<u>39,376</u>	<u>65,565</u>
Net Change in Fund Balances	26,189	39,376	65,565
Fund Balances - Beginning	<u>93,031</u>	<u>95,713</u>	<u>188,744</u>
Fund Balances - Ending	<u>\$ 119,220</u>	<u>\$ 135,089</u>	<u>\$ 254,309</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Education
Thompson Public School District No. 61
Thompson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thompson Public School District No. 61 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Thompson Public School District No. 61's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thompson Public School District No. 61's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

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

Purpose of This Report

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



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

September 13, 2017

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

2017-001 Finding

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

The District should separate the duties when it becomes feasible.

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Business Manager to receipt and deposit at the various financial institutions.

The Superintendent, Building & Grounds Supervisor, Principal and Athletic Director review monthly bills before payments are made.

The Board of Education reviews and approves all checks written.

The District will segregate other duties when feasible.

THOMPSON PUBLIC SCHOOL DISTRICT NO. 61
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

2017-002 Finding

Criteria

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

Condition

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

Cause

The District does not have the resources to prepare full accrual financial statements.

Effect

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

Recommendation

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

Management's Response

Management agrees that it is currently not cost-effective.