FINANCIAL STATEMENTS

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
CAVALIER, NORTH DAKOTA

For the Year Ended
JUNE 30, 2016

Mortenson & Rygh
Certified Public Accountants
1203 Park Street East
Park River, ND 58270

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
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For the Year Ended June 30, 2016

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
SCHOOL OFFICIALS
For the Year Ended June 30, 2016

Lynelle Fraser	School Board President
Justin Krieg	School Board Member
Kelli Vivatson	School Board Member
Shawn Lindsay	School Board Member
Chris Burgess	School Board Member
Jeff Manley	Superintendent
Karen Christianson	Business Manager

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Accounting For Success

INDEPENDENT AUDITOR'S REPORT

To the School Board
Cavalier Public School District No. 6
Cavalier, 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 Cavalier Public School District No. 6, Cavalier, North Dakota as of and for the year ended June 30, 2016 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.

CAVALIER | PARK RIVER | LANGDON | STEPHEN

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(701) 284-7616

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FM Mall
Langdon, ND 58249
(701) 256-3559

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

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 Cavalier Public School District No. 6, Cavalier, North Dakota, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requires that the budgetary comparison information, Schedules of Employer's Share of Net Pension Liability, and Schedules of Employer's Contributions as listed on 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 Cavalier Public School District No. 6, Cavalier, North Dakota's basic financial statements. The statement of revenues, expenditures and changes in fund balance – General Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of revenues, expenditures and changes in fund balance – General Fund is 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 statement of revenues, expenditures and changes in fund balance – General Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of Cavalier Public School District No. 6, Cavalier, North Dakota'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 Cavalier Public School District No. 6, Cavalier, North Dakota's internal control over financial reporting and compliance.

Mortenson & Rygh

Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

October 31, 2016

BASIC FINANCIAL STATEMENTS

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6

Cavalier, North Dakota

Statement of Net Position

June 30, 2016

		Total Governmental
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	1,100,345
Accounts Receivable		98,681
Taxes Receivable		136,626
Total Current Assets		1,335,653
NON-CURRENT ASSETS		
Capital Assets (not being depreciated)		12,180
Capital Assets (net of accumulated depreciation)		6,969,597
Total Non-Current Assets		6,981,777
Total Assets		8,317,430
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension		993,950
Total Deferred Outflows of Resources		993,950
TOTAL ASSETS AND DEFERRED OUTFLOWS		9,311,380
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	121,096
Interest Payable		42,292
Payroll Liabilities		94,405
Current Portion of Non-Current Liabilities		255,000
Total Current Liabilities		512,793
NONCURRENT LIABILITIES		
Bonds Payable		4,770,000
Less: Amounts Due Within One Year		(255,000)
Compensated Absences Payable		39,314
Net Pension Liability		4,881,982
Total Non-Current Liabilities		9,436,296
Total Liabilities		9,949,089
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension		135,466
Total Deferred Inflows of Resources		135,466
TOTAL LIABILITIES AND DEFERRED INFLOWS		10,084,555
NET POSITION:		
Net Investment in Capital Assets		2,191,401
Restricted for:		
Capital Projects		184,271
Debt Service		266,836
Food Service		30,623
Special Reserve		34,978
Scholarships		1,500
Unrestricted Net Position		(3,482,785)
Total Net Position		(773,175)
TOTAL LIABILITIES AND NET POSITION	$	9,311,380

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Activities
For the Year Ended June 30, 2016

Functions:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Assets: Total Governmental Activities
Regular Instruction	$ 2,590,642	$ -	$ -	$ -	$ (2,590,642)
Special Education	674,714	35,876	333,569	-	(305,270)
Vocational Education	176,485	-	15,266	-	(161,220)
Federal Programs	134,897	-	137,638	-	2,741
Extracurricular Activities	153,108	-	-	-	(153,108)
Student Support Services:					
Board of Education	59,881	-	-	-	(59,881)
Business Office	130,211	-	-	-	(130,211)
District Wide Services	70,900	-	-	-	(70,900)
Library	103,177	-	3,000	-	(100,177)
Operation and Maintenance	652,157	-	-	2,164	(649,994)
Superintendent	132,904	-	-	-	(132,904)
Transportation	292,994	-	119,703	-	(173,291)
School Lunch Services	262,425	145,171	99,841	-	(17,413)
Other Programs & Services	102,480	4,450	84,141	-	(13,889)
Interest & Fees on Long Term Debt	152,654	-	-	-	(152,654)
Total District	$ 5,689,629	$ 185,497	$ 793,157	$ 2,164	$ (4,708,811)

General Revenues:	
Taxes:	
Property taxes levied for general purposes	1,146,533
Property taxes levied for debt service	155,046
Property taxes levied for building fund	102,834
Other property taxes	44,011
State Aid not restricted for special purposes	2,992,112
Unrestricted investment earnings	3,750
Miscellaneous	12,921
Total General Revenues	4,457,207
Change in Net Position	(251,604)
Net Position - July 1	(447,971)
Restatement	(73,600)
Net Position - July 1, as Restated	(521,572)
Net Position - June 30	$ (773,175)

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Balance Sheet -Governmental Funds
June 30, 2016

	General	Building Fund	Sinking & Interest Fund	Other Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	$ 579,840	$ 187,343	$ 268,238	$ 64,925	$ 1,100,345
Accounts Receivable	98,681	-	-	-	98,681
Taxes Receivable	107,236	9,877	15,310	4,204	136,626
Total Assets	785,757	197,219	283,548	69,128	1,335,653
OTHER ASSETS					
Due from Other Funds	-	-	-	-	-
Total Other Assets	-	-	-	-	-
Total Assets	$ 785,757	$ 197,219	$ 283,548	$ 69,128	$ 1,335,653
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
LIABILITIES					
Accounts Payable	$ 100,720	$ 20,376	$ -	$ -	$ 121,096
Interest Payable	12,632	12,948	16,712	-	42,292
Payroll Liabilities	90,878	-	-	3,527	94,405
Total Liabilities	204,230	33,324	16,712	3,527	257,793
DEFERRED INFLOWS OF RESOURCES					
Uncollected taxes receivable	56,463	5,221	8,118	2,227	72,029
Total Deferred Inflows of Resources	56,463	5,221	8,118	2,227	72,029
FUND BALANCE					
Restricted for:					
Capital projects	-	158,674	-	-	158,674
Debt Service	-	-	258,718	-	258,718
Special Reserve	-	-	-	32,751	32,751
Scholarships	1,500	-	-	-	1,500
Committed to:					
Food Service	-	-	-	30,623	30,623
Unassigned Fund Balance	523,564	-	-	-	523,564
Total Fund Balance	525,064	158,674	258,718	63,374	1,005,831
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 785,757	$ 197,219	$ 283,548	$ 69,128	$ 1,335,653

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Total *Fund Balances* for Governmental Funds		$ 1,005,831
Total *net position* reported for governmental activities in the statement of net position is different because:		
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenues in the funds.		72,029
Capital assets used in governmental funds are not financial resources and are not reported in the funds.		
Cost of Capital Assets	$ 9,356,514	
Less Accumulated Depreciation	(2,374,737)	
Net Capital Assets		6,981,777
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.		
Bonds Payable	$ (4,770,000)	
Net Pension Liability	(4,881,982)	
Compensated absences payable	(39,314)	
Total Long-Term Liabilities		(9,691,296)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows related to pensions		993,950
Deferred inflows related to pensions		(135,466)
Total *Net Position* of Governmental Activities		$ (773,175)

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6

Cavalier, North Dakota

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2016

	General	Building Fund	Sinking & Interest Fund	Other Funds	Total Governmental Funds
Revenues:					
Local Property Taxes	$ 1,135,331	$ 101,264	$ 154,235	$ 43,139	$ 1,433,968
State Sources	3,460,649	-	-	2,441	3,463,090
Federal Sources	137,638	-	-	97,400	235,038
School Lunch Sales	-	-	-	140,969	140,969
Other Local Sources	140,387	-	-	-	140,387
Interest Income	3,231	-	520	-	3,750
Miscellaneous Income	-	2,164	-	4,202	6,366
Total Revenues	4,877,237	103,427	154,754	288,151	5,423,569
Expenditures:					
Regular Instruction Programs	2,559,827	-	-	-	2,559,827
Special Education	674,714	-	-	-	674,714
Vocational Education	176,485				176,485
Federal Programs	134,897	-	-	-	134,897
Extracurricular Activities	153,108	-	-	-	153,108
Student Support Services:					
Board of Education	59,881	-	-	-	59,881
Business Office	130,211	-	-	-	130,211
District wide Services	70,900	-	-	-	70,900
Library	103,177	-	-	-	103,177
Operation and Maintenance	344,142	-	-	-	344,142
Superintendent	132,904	-	-	-	132,904
Transportation	271,420	-	-	-	271,420
Other Programs & Services	102,480				102,480
Capital Outlay	-	39,130	-	-	39,130
Debt Service					
Bond Issuance Costs	-	-	-	-	-
Principal Payments	90,000	50,000	115,000	-	255,000
Interest Payments	78,882	32,883	40,890	-	152,654
Food Service	-	-	-	262,425	262,425
Total Expenditures	5,083,027	122,012	155,890	262,425	5,623,354
Excess (deficiency) of revenues over expenditures	(205,791)	(18,585)	(1,136)	25,726	(199,785)
Other Financing Sources (Uses)					
Proceeds from the sale of bonds	-	-	-	-	-
Transfers In	30,982	376,545	-	-	407,527
Transfers Out	(376,545)	-	-	(30,982)	(407,527)
Total other financing sources and uses	(345,563)	376,545	-	(30,982)	-
Net changes in fund balance	(551,353)	357,960	(1,136)	(5,256)	(199,785)
Fund balance - July 1	1,087,303	(143,877)	254,989	80,801	1,279,216
Restatement	(10,885)	(55,409)	4,865	(12,171)	(73,600)
Fund balance - June 30	$ 525,064	$ 158,674	$ 258,718	$ 63,374	$ 1,005,831

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - All Governmental Fund Types
For the Year Ended June 30, 2016

Net change in *Fund Balance* - Total Governmental Funds		$ (199,785)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenses. However, in the statement of activities assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	39,130	
Current Year Depreciation expense	(329,589)	(290,459)
Governmental funds expense compensated absences as incurred. However, in the statement of activities, compensated absences are expensed when the liability is deemed measurable. This is the amount the accrued compensated absences increased during the year		
(Increase)/Decrease in compensated absences		(5,294)
Governmental funds record taxes as received, however in the statement of activities taxes are recorded as revenue in the year they are levied for. This is the amount that revenues differ on the Statement of Activities.		
Increase/(Decrease) in uncollected taxes receivable		14,456
Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position. This is the amount of debt (issuances) repayments.		
Principal payments on debt		255,000
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	319,276	
Cost of benefits earned net of employee contributions	(344,799)	(25,523)
Change in *Net Position* of Governmental Activities		$ (251,604)

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Assets and Liabilities - Fiduciary Funds
June 30, 2016

Assets:	59,565
Cash and Investments	$ 59,565
Liabilities	59,565
Due to Student Groups	$ 59,565

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of Cavalier Public School District No. 6. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. Financial accountability is defined in GASB Statement No. 14 "The Financial Reporting Entity". The criteria includes appointing a voting majority of an organization's governing body and (1) the ability of Cavalier Public School District No. 6. to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Cavalier Public School District No. 6.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed defining the government's reporting entity:

Included within the reporting entity:
BLENDED COMPONENT UNIT: Blended component units, although legally separate entities, are in substance part of the government's operations and so data from this unit is combined with data from the primary government.

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

Financial information of the Cavalier Public School District Building Authority, including records of revenues and expenditures, may be obtained by submitting a written request to Jeff Manley, 300 Main Street East, PO Box 410, Cavalier, North Dakota 58220.

The District's basic financial statements include all of the District's operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from Cavalier Public School District No. 6.

B. Government-Wide and Fund Financial Statements

Government-wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for governmental funds and a fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

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

D. Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity, revenues and expenditures, as appropriate. The various funds are summarized by type in the fund financial statements. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the District:

GOVERNMENTAL FUND TYPES

General Fund (a major governmental fund) – The general fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes. The district has two major special revenue funds. Their purpose is as follows:

Building Fund –This fund has its own mill levy dedicated to major construction projects. Levy funds can also be used for property insurance premiums covering school district property.

Capital Projects Fund – This fund is used to account for financial resources to be used for construction of major capital facilities.

FIDUCIARY FUND TYPE

Agency Funds - Agency funds are used to account for assets held by the school district in a trustee capacity or as an agent for student body groups.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. State law requires district funds to be deposited in a financial institution situated and doing business within this state.

F. Short-Term Interfund Receivable/Payables

During the course of operation, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as *"due from other funds"* or *"due to other funds"* on the balance sheet. Short-term interfund loans are classified as *"interfund receivable/payables"*.

G. Capital Assets

Capital assets, which include land, buildings and improvements and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects and constructed. Buildings & improvements and furniture & equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	**Years**
Buildings	40
Building Improvements	40
Buses	10
Furniture & equipment	10
Vehicles	5
Computer & electronic equipment	5

H. Compensated Absences

Unused personal leave and accumulated sick time for qualified employees is reported in the government – wide statement of Net Position. Each teacher is granted three days of personal leave each year and may accumulated up to 5 days of personal leave. Teachers are granted ten days of sick leave each year and personnel hired after May 30, 1997 may accumulate up to 90 days of sick leave. Personnel hired *before* May 30, 1997 are entitled to unlimited accumulation of sick leave.

I. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as compensated absences, are reported in the governmental activities statement of Net Position. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. If amounts are not material, they are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

J. Net Position/Fund Balance

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statement

Beginning with fiscal year 2011, the school district implemented GASB Statement 54, Fund Balance Reporting in Governmental Fund Types Definitions. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the school district is bound to honor them. The school district first determines and reports non-spendable balances, then restricted, then committed, and so forth. The school district's governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the school district. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the school district indents to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the school district's administration comprised of the school district's governing board.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

Deferred Outflows/Inflows of Resources

Deferred Outflows of resources on the Statement of Net Position represent consumption of resources applicable to future periods and so will not be recognized as an expense until then. The District's only deferred outflows of resources reported on the statement of net position are related to defined benefit pension plans (TFFR and NDPERS). The amount represents actuarial differences within the pension plans as well as contributions to the plans made after the measurement date.

Deferred Inflows of resources on the Statement of Net Position represent acquisition of resources applicable to future periods and so will not be recognized as revenue until that time. The District's only deferred inflow of resources on the Statement of Net Position are related to defined benefit pension plans (TFFR and NDPERS). The amount represents actuarial differences within the pension plans.

K. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Use of Estimates in Preparing Financial Statements

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Memorandum Only - Total Columns

Total columns to the financial statements are captioned *"memorandum only"* to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The District's governing board did not make budget amendments during the fiscal year:

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota Statutes, the School District maintains deposits in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the School District to invest in:

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

The School District's deposits at June 30, 2016 and 2015 were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the city's name. For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage.

B. Investments

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

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

At year ended June 30, 2016, the School District's carrying amount of deposits and CDs totaled $1,158,860 and the bank balances totaled $1,383.433. Of the bank balances, $513,913 was covered by Federal Depository Insurance. The remaining bank balances totaling $869,520 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 PROPERTY TAXES

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

NOTE 5 PENSION PLANS

Summary of Significant Accounting Policies

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

General Information about the Pension Plans

A. North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2016, the Employer reported a liability of $315,213 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2015, the Employer's proportion was 0.046356 percent, which was a decrease of 0.002084 from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the Employer recognized pension expense of $27,598. At June 30, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiencs	$ 9,145	$ -
Changes of assumptions	-	28,084
Net difference between projected and actual earnings on pension plan investments	36,422	43,076
Changes in proportion and differences between Employer contributions and proportionate share of contributions	607	12,809
*Employer contributions subsequent to the measurement date of July 1, 2015	34,572	-
Total	$ 80,746	$ 83,969

*$34,572 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017

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 ended June 30:	
2017	$ (10,985)
2018	(10,985)
2019	2,765
2020	(7,604)
2021	(10,985)
Thereafter	-
Total	$ (37,794)

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

Inflation	3.50%
Salary increases	4.50% per annum for four years
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, 2015, funding actuarial valuation for NDPERS.

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

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

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

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	**Current Discount Rate (8%)**	**1% Increase (9%)**
Employer's proportionate share of the net pension liablity	483,363	315,213	177,636

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

B. North Dakota Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2016, the Employer reported a liability of $4,566,769 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2015, the

Employer's proportion was 0.349180 percent, which was an increase of 0.008637 from its proportion measured as of July 1, 2014.

For the year ended June 30, 2016, the Employer recognized pension expense of $317,246. At June 30, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experiencs	$	29,926	$	-
Changes of assumptions		512,770		-
Net difference between projected and actual earnings on pension plan investments		-		51,497
Changes in proportion and differences between Employer contributions and proportionate share of contributions		85,791		-
*Employer contributions subsequent to the measurement date of July 1, 2015		284,704		-
Total	$	913,191	$	51,497

*$284,704 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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 ended June 30:		
2017	$	66,673
2018		66,672
2019		66,672
2020		170,584
2021		105,524
Thereafter		100,864
Total	$	576,989

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liablity	6,035,201	4,566,769	3,342,127

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

NOTE 6 RISK MANAGEMENT

The Cavalier Public School District No. 6 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 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, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The Cavalier Public School District No. 6 also participates in the North Dakota Fire and Tornado Fund and the 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 twelve-month period.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of $1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The school district also participates in North Dakota Workforce Safety and Insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 7 CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:	Balance July 1, 2015	Additions	(Deletions)	Balance June 30, 2016
Capital assets, not being depreciated				
Land	$ 12,180	$ -	$ -	$ 12,180
Total capital assets, not being depreciated:	12,180	-	-	12,180
Capital assets, being depreciated				
Buildings	8,364,230	39,130	-	8,403,360
Equipment	798,226	-	-	798,226
Vehicles	142,749	-	-	142,749
Total capital assets, being depreciated:	9,305,205	39,130	-	9,344,334
Less: accumulated depreciation for:				
Buildings	(1,771,896)	(218,923)	-	(1,990,819)
Equipment	(169,260)	(89,092)	-	(258,352)
Vehicles	(103,992)	(21,574)	-	(125,566)
Total accumulated depreciation	(2,045,148)	(329,590)	-	(2,374,737)
Total capital assets being depreciated, net	7,260,057	(290,460)	-	6,969,597
Governmental activities capital assets, net	$ 7,272,237	$ (290,460)	$ -	$ 6,981,777

Depreciation expense was charged to the following functions:

Depreciation Expense	
Transportation	21,574
Operation and Maintenance	308,015
Total Depreciation Expense	329,590

NOTE 8 DEFERRED REVENUE

In conjunction with the implementation of GASB pronouncement 33 “Accounting and Financial Reporting for Nonexchange Transactions”, the District has accrued property tax receivables and deferred property tax revenues in the following funds:

	Receivable	Deferred
General Fund	$ 107,236	$ 56,463
Building Fund	9,877	5,221
Debt Service Fund	15,310	8,118
Special Reserve Fund	4,204	2,227
	$ 136,626	$ 72,029

Accrued and deferred property tax revenues are outstanding property taxes that are an enforceable lien on property as of the balance sheet date but, using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days) they are not recognized as revenues. Therefore, the District has recorded the estimated property tax receivables as deferred revenue in the fund financial statements.

NOTE 9 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

NOTE 10 LONG TERM DEBT

Long-term liability activity for the year ended June 30, 2016 is as follows:

Governmental Activities:	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016	Due Within One Year
Limited Tax Bonds, Series 2013A	$ 1,775,000	$ -	$ (115,000)	$ 1,660,000	$ 115,000
Limited Tax Bonds, Series 2013B	330,000	-	(20,000)	310,000	20,000
Lease Revenue Bonds, Series 2013C	2,170,000	-	(90,000)	2,080,000	90,000
Limited Tax Bonds, Series 2014	750,000	-	(30,000)	720,000	30,000
Total Governmental Activities	$ 5,025,000	$ -	$ (255,000)	$ 4,770,000	$ 255,000

$1,890,000 Limited Tax Bonds, Series 2013A

The Limited Tax Bonds, Series 2013A were issued on June 27, 2013 in the amount of $1,890,000. Proceeds are for the purpose of improvements and renovation of the school's ventilation system. Principal and interest payments are to be paid using proceeds from the HVAC Fund Levy. The issue matures over a period of fifteen (15) years and is due annually through 2029. Interest is paid semi-annually and varies from 2.0% to 3.10%. As of June 30, 2016, the district held $268,268 in debt service reserves for this bond issue.

Outstanding June 30, 2016 $1,660,000

$345,000 Limited Tax Bonds, Series 2013B

The Limited Tax Bonds, Series 2013B were issued on October 3, 2013 in the amount of $345,000. Proceeds are for the purpose of improvements and renovation of the school's kitchen, bathrooms, office and ventilation system. The issue matures over a period of fifteen (15) years and is due annually through 2029. Interest is paid semi-annually and varies from 3.0% to 4.25%.

Outstanding June 30, 2016 310,000

$2,370,000 Lease Revenue Bonds, Series 2013C
The Lease Revenue Bonds, Series 2013C were issued on October 3, 2013 in the amount of $2,370,000. The proceeds of the bonds are to be used for construction and remodeling of the School District's kitchen, bathrooms, and office. The issue matures over a period of twenty (20) years and is due annually through 2033. Interest is paid semi-annually and varies from 1.0% to 4.75%.

Outstanding June 30, 2016	2,080,000

$750,000 Limited Tax Bonds, Series 2014
The Limited Tax Bonds, Series 2014, were issued on August 7, 2014 in the amount of $750,000. The proceeds of the bonds are to be used for renovation, remodeling, repair, and improvement of school buildings, as well as install technology upgrades. The issue matures over a period of twenty (20) years and is due annually through 2034. Interest is paid semi-annually and varies from 0.80 % to 3.50%.

Outstanding June 30, 2016	720,000
Total Bonds Payable June 30, 2016	$4,770,000

The annual debt service requirement for long-term debt outstanding is as follows:

Year Ended June 30	Principal	Interest
2017	255,000	147,446
2018	265,000	143,356
2019	265,000	138,066
2020	270,000	132,626
2021	280,000	126,966
2022 - 2026	1,515,000	514,498
2027 - 2031	1,405,000	248,692
2032 - 2036	515,000	36,963
Total	$ 4,770,000	$ 1,488,609

NOTE 11 JOINT VENTURE

The school district participates in a joint venture with several other districts in the area, The Upper Valley Special Education District. The purpose of this joint venture is to provide special education services to the member districts. Each participating school district is obligated to pay an assessed fee. In the event of an emergency funding deficit, additional fees may be assessed against member school districts upon 2/3 approval of UVSE board members. No emergency funding needs have been identified as of June 30, 2016.

Financial Statements for the Upper Valley Special Education District may be obtained by submitting a written request to Renae Grinde, Business Manager, PO Box 272, Grafton, North Dakota 58237.

NOTE 12 OPERATING TRANSFERS

Operating transfers for the fiscal year ended June 30, 2016 were as follows.

Fund	In	Out
General Fund	30,982	376,545
Special Reserve	-	30,982
Building Fund	376,545	-
Total	$407,527	$407,527

The district transferred money for capital improvements and general operating expenses.

NOTE 14 RESTATEMENTS

Restatement were necessary for the following funds:

	Fund Balance July 1 2015	Increases	Decreases	Fund Balance As Restated July 1, 2015
General Fund	$ 1,087,303	$ 62,130	$ (73,016)	$ 1,076,418
Building Fund	(143,877)	-	(55,409)	(199,286)
Sinking & Interest Fund	254,989	4,865		259,854
Food Service Fund	60,207		(12,171)	48,036
Total	$ 1,258,622	$ 66,995	$ (140,595)	$ 1,185,021

The fund balances in the General Fund and the Building Fund have been restated by $50,544 and $(50,544), respectively. The restatement is to account for construction costs that were accrued for in the general fund in 2015, but were ultimately paid out of the building fund in 2016.

The fund balance in the General Fund has been restated by $11,586. This restatement is necessary to record interest earned on investments attributable to prior year.

The fund balance in the General Fund and Food Service Fund have been restated by (73,016) and (12,171) respectively. The restatement is necessary to correct health insurance payable.

The fund balances in the Sinking and Interest Fund and the Building Fund have been restated by 4,865 and (4,865) respectively. The restatement is to account for interest payable that was accrued in the sinking and interest fund in 2015, but was ultimately paid from the building fund in 2016.

REQUIRED SUPPLEMENTARY INFORMATION

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Budgetary Comparison - General Fund
For the Year Ended June 30, 2016

	General Fund		
	Original & Final Budget	Actual	Variance
Revenues:			
Local Sources	$ 1,356,331	$ 1,275,718	$ (80,613)
State Sources	3,578,281	3,460,649	(117,632)
Federal Sources	129,761	137,638	7,877
Other Sources	1,500	3,231	1,731
Total Revenues	5,065,873	4,877,237	(188,636)
Expenditures:			
Regular Instruction Programs	2,670,466	2,559,827	110,639
Special Education	622,956	674,714	(51,758)
Vocational Education	177,544	176,485	1,059
Federal Programs	120,886	134,897	(14,011)
Extracurricular Activities	146,647	153,108	(6,460)
Student Support Services:			
Board of Education	56,612	59,881	(3,269)
Business Office	136,206	130,211	5,995
District wide Services	75,400	70,900	4,500
Library	104,396	103,177	1,219
Operation and Maintenance	329,678	344,142	(14,464)
Superintendent	133,987	132,904	1,084
Transportation	314,508	271,420	43,088
Other Programs & Services	75,700	102,480	(26,780)
Capital Outlay	-	-	-
Debt Service			
Principal Payments	90,000	90,000	-
Interest Payments	77,743	78,882	(1,139)
Total Expenditures	5,132,730	5,083,027	49,702
Excess Revenues over (under) Expenditures	(66,857)	(205,791)	(138,934)
Interfund Transfers In	-	30,982	
Interfund Transfers (Out)	-	(376,545)	
Excess Revenues over (under) Disbursements after Interfund Transfers	(66,857)	(551,353)	
Fund Balance - July 1	1,087,303	1,087,303	
Restatement	-	(10,885)	
Fund Balance - June 30	$ 1,020,446	$ 525,064	

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Budgetary Comparison – Building Fund
For the Year Ended June 30, 2016

	Building fund		
	Original & Final Budget	Actual	Variance
Revenues:			
Local Sources	$ 104,203	$ 103,427	$ (776)
Total Revenues	104,203	103,427	(776)
Expenditures:			
Facility Construction	66,140	39,130	27,011
Debt Service			
Principal Payments	15,000	50,000	(35,000)
Interest Payments	23,063	32,883	(9,820)
Total Expenditures	104,203	122,012	(17,809)
Excess Revenues over (under) Expenditures	-	(18,585)	(18,585)
Other Financing Sources (Uses)			
Interfund Transfers In	300,000	376,545	
Excess Revenues over (under) Expenses after Interfund Transfers	300,000	357,960	
Fund Balance - July 1	(143,877)	(143,877)	
Restatement	-	(55,409)	
Fund Balance - June 30	$ 156,123	$ 158,674	

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Budgetary Comparison – Sinking and Interest Fund
For the Year Ended June 30, 2016

	Sinking & Interest Fund		
	Original & Final Budget	Actual	Variance
Revenues:			
Local Sources	$ 156,730	$ 154,235	$ (2,495)
Other Sources	-	520	520
Total Revenues	156,730	154,754	(1,976)
Expenditures:			
Debt Service			
Principal Payments	115,000	115,000	-
Interest Payments	41,730	40,890	840
Total Expenditures	156,730	155,890	840
Excess Revenues over (under) Expenditures	-	(1,136)	(1,136)
Fund Balance - July 1	254,989	254,989	
Restatement	-	4,865	
Fund Balance - June 30	$ 254,989	$ 258,718	

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer’s Share of Net Pension Liability
ND Teachers’ Fund for Retirement
Last 10 Fiscal Years*

Year Ended June 30	Employeer's Proportions Of the Net Pension Liability (Asset)	Employeer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) As a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.340543%	$3,568,287	$1,975,331	180.6%	66.6%
2016	0.349180%	$4,566,769	$2,147,821	212.6%	62.1%

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

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	$212,346	($212,346)	$0	$1,975,331	10.75%
2016	$273,834	($273,834)	$0	$2,147,821	12.75%

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

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer’s Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years

Year Ended June 30	Employeer's Proportions Of the Net Pension Liability (Asset)	Employeer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) As a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2015	0.048440%	$307,459	$408,041	75.4%	77.70%
2016	0.046356%	$315,213	$412,980	76.3%	77.15%

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

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years

Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	$29,053	($29,053)	$0	$408,041	7.12%
2016	$31,369	($32,098)	($729)	$412,980	7.60%

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

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

NOTE 1 BUDGETS

The District's board follows the procedures established by North Dakota law for the budgetary process. The business manager prepares an annual school district budget and property tax levy. The budget is prepared by funds, function and activity, and includes information on the past year, current year and requested appropriations for the next year.

The county treasurer collects all property taxes levied in the county, acting as agent for the various taxing authorities in the county. Collected taxes are remitted to the taxing authorities monthly unless the amount is insignificant.

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

- Administration prepares the District's budget using a modified accrual basis of accounting. The board reviews the budget and makes any necessary revisions. On or before July 31, the board adopts the final budget. The final budget and property tax levy request is sent to the county auditor by August 15.
- The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
- At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

NOTE 2 EXPENDITURES EXCEEDING BUDGETED AMOUNTS

State Law requires the district to amend its budget if at any point during the year they need to incur expenditures in excess of the budget for that fund. The district did not perform that required action. No remedial action is expected to be taken. The district does intend to amend budgets in future years as needed to comply with state statutes.

The following fund's expenditures exceeded budgeted amounts for the year ended June 30, 2016.

	Budget	Actual	Variance
Building Fund	104,203	122,012	(17,809)

NOTE 3 PENSION PLANS

A. North Dakota Teachers' Fund for Retirement

Changes of Assumptions. Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015, 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 improvements

B. North Dakota Public Employees' Retirement System

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

SUPPLEMENTARY INFORMATION

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the Year Ended June 30, 2016

REVENUES:	General Fund	Building Authority	Total General Fund
LOCAL SOURCES			
General Property Taxes	$ 931,477	$ -	$ 931,477
Other County Revenues	31,436	-	31,436
Miscellaneous Levy	172,418	-	172,418
ITV Teacher Reimbursement	58,760	-	58,760
Drivers Education	4,450	-	4,450
Preschool Revenue	20,430	-	20,430
Scholarships	25,380	-	25,380
ESP Revenue	15,446	-	15,446
Library Grant	3,000	-	3,000
Miscellaneous Local Revenues	12,921	-	12,921
Total Local Sources	1,275,718	-	1,275,718
STATE SOURCES			
Foundation Per Pupil	2,992,112	-	2,992,112
Transportation Aid	119,703	-	119,703
Special Education Aid	301,789		301,789
Vocational Aid	15,266	-	15,266
Special Ed Coop Reimbursement	31,780	-	31,780
Total State Sources	3,460,649	-	3,460,649
FEDERAL SOURCES			
Title I	76,401	-	76,401
Rural Education Achievement Program	57,147	-	57,147
Carl Perkins Act	4,091	-	4,091
Total Federal Sources	137,638	-	137,638
OTHER SOURCES			
Interest Income	3,230	0	3,231
Total Other Sources	3,230	0	3,231
TOTAL REVENUES	**$ 4,877,236**	**$ 0**	**$ 4,877,237**

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)
For the Year ended June 30, 2016

	General Fund	Building Authority	Total General Fund
EXPENDITURES:			
REGULAR INSTRUCTION:			
Kindergarten Instruction	$ 153,564	$ -	$ 153,564
Kindergarten Principal	9,963	-	9,963
Elementary Instruction	1,187,206	-	1,187,206
Elementary Principal	62,022	-	62,022
Elementary Guidance	33,979	-	33,979
Middle/Jr High Instruction	292,179	-	292,179
Middle/Jr High Principal	19,925	-	19,925
Middle/Jr High Guidance	11,376	-	11,376
High School Instruction	672,165	-	672,165
High School Principal	95,367	-	95,367
High School Guidance	22,082	-	22,082
Total Regular Instruction	$ 2,559,827	$ -	$ 2,559,827
SPECIAL ED & OTHER PROGRAMS:			
Special Education	515,902	-	515,902
Preschool Program	119,981	-	119,981
Extended School Program	38,832	-	38,832
Total Special Ed & Other Programs	$ 674,714	$ -	$ 674,714
VOCATIONAL EDUCATION:			
Office Occupations	60,516	-	60,516
Industrial Arts & Tech Ed.	70,677	-	70,677
Home Economics & Consumer Instruction	41,054	-	41,054
Equipment	4,238	-	4,238
Total Vocational Education	$ 176,485	$ -	$ 176,485
FEDERAL PROGRAMS			
Title I Programs	76,401	-	76,401
Title II Programs	57,147	-	57,147
Title III English Language Acquisition	1,350	-	1,350
Total Federal Programs	$ 134,897	$ -	$ 134,897

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

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (cont'd)
For the Year ended June 30, 2016

	General Fund	Building Authority	Total General Fund
EXPENDITURES CONT'D:			
STUDENT SUPPORT SERVICES:			
Extracurricular Activities	153,108	-	153,108
School Library Services	103,177	-	103,177
School Board	59,881	-	59,881
Superintendent	132,904	-	132,904
Business Office	130,211	-	130,211
Operation & Maintenance of Plant	344,142	-	344,142
Vehicle Operation Services	271,420	-	271,420
District wide Services	70,900	-	70,900
Interactive TV Instruction	1,296	-	1,296
Schoarships	25,380	-	25,380
Improvement of Instruction	75,803	-	75,803
Total Student Support Services	$ 1,368,223	$ -	$ 1,368,223
DEBT SERVICE			
Lease Expense	169,243	(169,243)	-
Principal Payments on Bonds	-	90,000	90,000
Interest Payments on Bonds	-	78,882	78,882
Total Debt Service	$ 169,243	$ (361)	$ 168,882
TOTAL EXPENDITURES	5,083,388	(361)	5,083,027
Excess (deficiency) of revenues over expenditures	$ (206,152)	$ 361	$ (205,791)
OTHER FINANCING SOURCES (USES)			
Transfers In	30,982	-	30,982
Transfers Out	(376,545)	-	(376,545)
Total other financing sources and uses	(345,563)	-	(345,563)
Net change in fund balances	(551,715)	361	(551,353)
Fund balance - July 1	1,100,293	(12,990)	1,087,303
Restatement	(10,885)	-	(10,885)
Fund Balance - June 30	$ 537,693	$ (12,629)	$ 525,064

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

MORTENSON RYGH
& ASSOCIATES | CERTIFIED PUBLIC ACCOUNTANTS
Accounting For Success

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

To the School Board
Cavalier Public School District No. 6
Cavalier, 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 Cavalier Public School District No. 6, Cavalier, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Cavalier Public School District No. 6's basic financial statements and have issued our report thereon dated October 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cavalier Public School District No. 6's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cavalier Public School District No. 6's internal control. Accordingly, we do not express an opinion on the effectiveness of Cavalier Public School District No. 6'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 was for the limited purpose described in the preceding paragraph 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. We consider the deficiency 2016-1 described in the accompanying schedule of findings and responses to be a material weakness.

CAVALIER | PARK RIVER | LANGDON | STEPHEN
206 Dakota Street West, P.O. BOX 33, Cavalier, ND 58220, (701) 265-8644
1203 Park Street East, P.O. BOX 287, Park River, ND 58270, (701) 284-7616
817 3rd Street, FM Mall, Langdon, ND 58249, (701) 256-3559
413 5th Street, P.O. BOX 45, Stephen, MN 56757, (218) 478-2880

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cavalier Public School District No. 6's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Cavalier Public School District No. 6's's Response to Findings

Cavalier Public School District No. 6's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Cavalier Public School District No. 6's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mortenson & Rygh

Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota
October 31, 2016

CAVALIER PUBLIC SCHOOL DISTRICT NO. 6
Cavalier, North Dakota
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2016-1 Segregation of Duties

Condition:

The Cavalier Public School District No. 6, Cavalier, North Dakota has one bookkeeper responsible for most accounting functions and general ledger maintenance.

Effect:

Without adequate fraud risk programs and controls the Cavalier Public School District No. 6 exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the Cavalier Public School District No. 6 financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Cavalier Public School District No. 6.

Recommendation:

Due to the size and funding limitations of the entity, we understand that it is not feasible to obtain proper segregation of duties. However, if at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the Cavalier Public School District No. 6 do so. We further recommend that the school district implement any controls possible to separate the functions of approval, posting of transactions, reconciliation, and custody of assets.

Client Response:

The School Board President agrees with the recommendation. The School Board President does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the School Board.