

**CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
BUXTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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CENTRAL VALLEY SCHOOL DISTRICT NO. 3
ROSTER OF SCHOOL OFFICIALS – UNAUDITED
AS OF JUNE 30, 2016

David Seyfried	President
Lloyd Kennedy	Vice President
Greg Troftgruben	Board Member
Wade Pearson	Board Member
Ron Sondrol	Board Member
Gregg Saure	Board Member
David Knudsvig	Board Member
Harriet Thoreson (Through June 30, 2016)	Business Manager
Lenita Larson (Effective July 1, 2016)	Business Manager
Jeremy Brandt	Superintendent

* * * * *



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Central Valley Public School District No. 3
Buxton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Valley Public School District No. 3, which comprise the governmental activities, each major fund, and the aggregate remaining fund information 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.

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 the Central Valley Public School District No. 3, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



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

November 4, 2016

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The discussion and analysis of Central Valley Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position of the District decreased by \$225,135 as a result of the current year's operations.
- Governmental net position totaled \$1,475,591.
- Total revenues from all sources were \$3,118,827.
- Total expenses were \$3,343,962.
- The District's general fund had \$2,877,809 in total revenues and \$3,085,382 in expenditures and other financing uses. Overall, the general fund balance for the year ended June 30, 2016 was \$1,106,556.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Central Valley Public School District No. 3 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Financial Analysis of the District as a Whole

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

Table 1 provides a summary of the District's net position as of June 30, 2016 and 2015.

As indicated in the financial highlights, the District's net position decreased by \$225,135 the year ended June 30, 2016. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$1,475,591 is segregated into three separate categories. Net investment in capital assets (net of related debt) represents of the District's entire net position. It should be noted that this position is not available for future spending. Restricted net position represents 20% of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents -73% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations. Table 1 shows the District's net position.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Table 1	<u>2016</u>	<u>2015</u>
Assets		
Current Assets	\$ 1,559,190	\$ 1,780,008
Capital Assets (Net of Depreciation)	<u>2,261,371</u>	<u>2,276,675</u>
Total Assets	<u>3,820,561</u>	<u>4,056,683</u>
 Deferred Outflows of Resources	 <u>469,090</u>	 <u>319,406</u>
Liabilities		
Current Liabilities	62,871	224,587
Long-Term Liabilities	<u>2,638,265</u>	<u>2,201,741</u>
Total Liabilities	<u>2,701,136</u>	<u>2,426,328</u>
Net Position		
 Deferred Inflows of Resources	 <u>112,924</u>	 <u>249,035</u>
 Net investment in Capital Assets	 2,261,371	 2,145,551
Restricted	290,228	350,811
Unrestricted	<u>(1,076,008)</u>	<u>(795,636)</u>
Total Net Position	<u>\$ 1,475,591</u>	<u>\$ 1,700,726</u>

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

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

Table 2	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	\$ 172,348	\$ 178,774
Operating Grants and Contributions	255,624	283,316
General Revenues		
Taxes	831,962	827,497
State Aid	1,857,013	2,003,796
Investment Earnings	1,880	2,182
Total Revenues	<u>3,118,827</u>	<u>3,295,565</u>
Expenses		
Business Support Services	85,870	81,379
Instructional Support Services	4,395	4,423
Administration	377,124	350,084
Operations and Maintenance	507,039	373,399
Transportation	193,882	190,217
Regular Instruction	1,668,518	1,570,103
Special Education	219,211	206,684
Vocational Education	51,527	47,365
Extra-Curricular Activities	150,188	117,546
Food Services	86,208	80,812
Interest on Long-Term Debt	-	4,310
Total Expenses	<u>3,343,962</u>	<u>3,026,322</u>
Change in Net Position	<u>\$ (225,135)</u>	<u>\$ 269,243</u>

Property taxes constituted 26.7%, state aid 59.5%, operating grants and contributions 8.2% and charges for services made up 5.5% of the total revenues of governmental activities of the District for fiscal year 2016.

Regular programs comprised 49.9% of District expenses.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

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

Table 3	Total Cost for Year Ended <u>6/30/2016</u>	Net Cost for Year Ended <u>6/30/2016</u>	Total Cost for Year Ended <u>6/30/2015</u>	Net Cost for Year Ended <u>6/30/2015</u>
Business Support Services	\$ 85,870	\$ 85,870	\$ 81,379	\$ 81,379
Instructional Support Services	4,395	4,395	4,423	4,423
Administration	377,124	377,124	350,084	350,084
Operations and Maintenance	507,039	507,039	373,399	373,399
Transportation	193,882	88,595	190,217	88,030
Regular Instruction	1,668,518	1,543,178	1,570,103	1,429,699
Special Education	219,211	178,104	206,684	156,811
Vocational Education	51,527	23,544	47,365	(5,018)
Extra-Curricular Activities	150,188	150,188	117,546	117,546
Food Services	86,208	(42,047)	80,812	(36,431)
Interest on Long-Term Debt	-	-	4,310	4,310
	<u>\$ 3,343,962</u>	<u>\$ 2,915,990</u>	<u>\$ 3,026,322</u>	<u>\$ 2,564,232</u>

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

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

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

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

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

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

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

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

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

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

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues and other financing sources of \$3,118,827 and \$3,296,979, respectively and expenditures and other financing uses of \$3,343,962 and \$3,098,791 for the years ended June 30, 2016 and 2015. As of June 30, 2016, the unassigned fund balance of the District's general fund was \$1,106,556.

General Fund Budgeting Highlights

Over the course of the year, the District did not revise the annual operating budget.

Actual revenues were \$31,879 more than expected and actual expenditures were \$47,946 under budget. This is primarily the result of more local revenue as well as less instruction expenses than anticipated during the budget process. The District uses a conservative approach to budgeting and estimated revenues low and expenditures high.

Capital Assets

As of June 30, 2016 and 2015, the District had \$2,261,371 and \$2,276,675, respectively invested in capital assets. Table 4 shows balances as of June 30, 2016 and 2015. See Note 4.

Table 4
 Capital Assets (Net of Depreciation) at June 30th

	2016	2015
Land	\$ 95,243	\$ 95,243
Buildings	1,670,591	1,382,854
Equipment	495,537	768,583
Construction in Progress	-	29,995
Total	\$ 2,261,371	\$ 2,276,675

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Debt Administration:

As of June 30, 2016, the District had \$2,638,265 in outstanding debt. The net reduction in the District's debt was \$305,400 from June 30, 2015. See Note 5 for details. See below for description of the District's debt:

Table 5
District's Debt

	<u>Balance</u> <u>July 1, 2015</u>	<u>Issued</u>	<u>Amount</u> <u>Retired</u> <u>During Year</u>	<u>Balance</u> <u>June 30, 2016</u>
General Obligation Bond of 2012	\$ 131,124	\$ -	\$ 131,124	\$ -
Compensated Absences	9,581	2,197	-	11,778
Net Pension Liability	<u>2,192,160</u>	<u>975,404</u>	<u>541,077</u>	<u>2,626,487</u>
	<u>\$ 2,332,865</u>	<u>\$ 977,601</u>	<u>\$ 672,201</u>	<u>\$ 2,638,265</u>

For the Future:

Central Valley Public School District has just completed a building project so there are no major projects in the near future. Faculty and staff salaries continue to be a priority. Long-term enrollment projections show a decline, therefore, budgeting will need to reflect the changes in revenue that may or may not occur.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Lenita Larson, Business Manager, Central Valley Public School District, 1556 HWY 81 NE, Buxton, ND 58218.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

ASSETS	
Cash and Investments	\$ 1,460,869
Property Taxes Receivable	53,246
Accounts Receivable	<u>45,075</u>
Total Current Assets	<u>1,559,190</u>
Capital Assets	
Land	95,243
Buildings	3,168,754
Equipment	1,409,980
Less Accumulated Depreciation	<u>(2,412,606)</u>
Total Capital Assets, Net of Depreciation	<u>2,261,371</u>
TOTAL ASSETS	<u>3,820,561</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>469,090</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>469,090</u>
LIABILITIES	
Accounts Payable	5,272
Salaries Payable	<u>57,599</u>
Total Current Liabilities	<u>62,871</u>
Long-Term Liabilities	
Compensated Absences	11,778
Net Pension Liability	<u>2,626,487</u>
Total Non-Current Liabilities	<u>2,638,265</u>
TOTAL LIABILITIES	<u>2,701,136</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>112,924</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>112,924</u>
NET POSITION	
Net Investment in Capital Assets	2,261,371
Restricted for:	
Capital Projects	289,635
Debt Service	593
Unrestricted	<u>(1,076,008)</u>
TOTAL NET POSITION	<u>\$ 1,475,591</u>

See Notes to the Basic Financial Statements

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 85,870	\$ -	\$ -	\$ (85,870)
Instructional Support Services	4,395	-	-	(4,395)
Administration	377,124	-	-	(377,124)
Operations and Maintenance	507,039	-	-	(507,039)
Transportation	193,882	-	105,287	(88,595)
Regular Instruction	1,668,518	94,601	30,739	(1,543,178)
Special Education	219,211	-	41,107	(178,104)
Vocational Education	51,527	-	27,983	(23,544)
Extra-Curricular Activities	150,188	-	-	(150,188)
Food Services	86,208	77,747	50,508	42,047
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,343,962</u>	<u>\$ 172,348</u>	<u>\$ 255,624</u>	<u>(2,915,990)</u>
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				719,736
Property Taxes, Levied for Capital Projects				110,105
Property Taxes, Levied for Debt Services				2,121
Aids and Payments from the State				1,857,013
Unrestricted Investment Earnings				<u>1,880</u>
TOTAL GENERAL REVENUES				<u>2,690,855</u>
Change in Net Position				(225,135)
Net Position - Beginning				<u>1,700,726</u>
Net Position - Ending				<u>\$ 1,475,591</u>

See Notes to the Basic Financial Statements

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	General Fund	Capital Projects	Debt Service	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,092,665	\$ 284,674	\$ -	\$ 83,530	\$ 1,460,869
Property Taxes Receivable	45,580	7,073	593	-	53,246
Accounts Receivable	45,075	-	-	-	45,075
Due from Other Funds	2,112	-	-	-	2,112
TOTAL ASSETS	\$ 1,185,432	\$ 291,747	\$ 593	\$ 83,530	\$ 1,561,302
LIABILITIES					
Accounts Payable	\$ 5,272	\$ -	\$ -	\$ -	\$ 5,272
Salaries and Wages Payable	57,599	-	-	-	57,599
Due to Other Funds	-	2,112	-	-	2,112
TOTAL LIABILITIES	62,871	2,112	-	-	64,983
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	16,005	2,708	593	-	19,306
TOTAL DEFERRED INFLOWS OF RESOURCES	16,005	2,708	593	-	19,306
FUND BALANCES					
Restricted	-	286,927	-	-	286,927
Assigned	-	-	-	83,530	83,530
Unassigned	1,106,556	-	-	-	1,106,556
TOTAL FUND BALANCES	1,106,556	286,927	-	83,530	1,477,013
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,185,432	\$ 291,747	\$ 593	\$ 83,530	\$ 1,561,302

See Notes to the Basic Financial Statements

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Total fund balances - governmental funds		\$ 1,477,013
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net position in government funds:		
Cost of capital assets	\$ 4,673,977	
Less: Accumulated depreciation	<u>(2,412,606)</u>	
Net		2,261,371
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
		356,166
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		19,306
Long-term liabilities, including special assessments, are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Compensated Absences		(11,778)
Net Pension Liability		<u>(2,626,487)</u>
Net Position - Governmental Activities		<u>\$ 1,475,591</u>

See Notes to the Basic Financial Statements

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects	Debt Service	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	\$ 719,427	\$ 110,105	\$ 2,121	\$ -	\$ 831,653
Other Local & County Revenues	94,601	-	-	77,747	172,348
Revenue From State Sources	1,982,518	-	-	-	1,982,518
Revenue From Federal Sources	79,611	-	-	50,508	130,119
Interest	1,652	229	-	-	1,881
TOTAL REVENUES	2,877,809	110,334	2,121	128,255	3,118,519
EXPENDITURES					
Current:					
Business Support Services	85,870	-	-	-	85,870
Instructional Support Services	4,395	-	-	-	4,395
Administration	377,124	-	-	-	377,124
Operations and Maintenance	498,476	6,340	-	-	504,816
Transportation	147,855	-	-	-	147,855
Regular Instruction	1,403,715	-	-	-	1,403,715
Special Education	219,211	-	-	-	219,211
Vocational Education	51,527	-	-	-	51,527
Extra - Curricular Activities	150,188	-	-	-	150,188
Food Services	-	-	-	86,208	86,208
Capital Outlay:					
Capital Outlay	147,021	-	-	-	147,021
Debt Service:					
Principal Retirement	-	-	131,124	-	131,124
Interest and Other Fees	-	-	570	-	570
TOTAL EXPENDITURES	3,085,382	6,340	131,694	86,208	3,309,624
Excess (Deficiency) of Revenues over Expenditures	(207,573)	103,994	(129,573)	42,047	(191,105)
OTHER FINANCING SOURCES (USES)					
Transfers In	34,588	-	-	-	34,588
Transfers Out	-	-	(34,588)	-	(34,588)
TOTAL OTHER FINANCING SOURCES (USES)	34,588	-	(34,588)	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(172,985)	103,994	(164,161)	42,047	(191,105)
Fund Balance - Beginning of Year	1,279,541	182,933	164,161	41,483	1,668,118
Fund Balance - End of Year	\$ 1,106,556	\$ 286,927	\$ -	\$ 83,530	\$ 1,477,013

See Notes to the Basic Financial Statements

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total net changes in fund balances - Governmental Funds \$ (191,105)

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

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

Capital Outlays	\$ 147,021
Depreciation expense	<u>(162,324)</u>

Excess of capital outlay over depreciation expense	(15,303)
--	----------

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	131,124
---	---------

Some items reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This consisted of:

Net increase in compensated absences:	(2,197)
---------------------------------------	---------

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in unavailable property taxes	309
--	-----

Changes in deferred outflows and inflows of resources related to net pension liability	285,795
--	---------

Change in net pension liability	(434,327)
---------------------------------	-----------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased by \$570	<u>570</u>
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Change in net position - Governmental Activities	<u>\$ (225,135)</u>
--	---------------------

See Notes to the Basic Financial Statements

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND
AS OF JUNE 30, 2016

ASSETS	
Cash and Investments	<u>\$ 51,613</u>
 TOTAL ASSETS	 <u><u>\$ 51,613</u></u>
 LIABILITIES	
Due to Student Groups	<u>\$ 51,613</u>
 TOTAL LIABILITIES	 <u><u>\$ 51,613</u></u>

See Notes to the Basic Financial Statements

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Central Valley Public School District operates the public school for the Cities of Buxton and Reynolds, North Dakota, along with the surrounding area.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements:

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

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

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements.

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

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

General Fund

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

Capital Projects

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

Debt Service

This fund is used to account for the accumulation of resources for, and the payments of, general long-term debt principal, interest, and related costs.

Non-major governmental fund is as follows:

Food Service

This fund is used to account for the proceeds of specific revenue sources that are assigned to expenditures for providing breakfast and lunch service to students and staff of the District.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Fiduciary Funds:

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

Student Activity Fund

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

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Basis of Accounting:

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

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

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

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Revenues-Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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

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

Fair Value Measurements:

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

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

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

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

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

Cash and Cash Equivalents:

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

Investments:

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their fair market values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

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

Buildings and Improvements	25 to 50 Years
Equipment and Fixtures	5 to 20 Years
Vehicles	8 Years

Compensated Absences:

Certified employees who have been employed by the District for a minimum of 9 years are eligible for sick leave pay for a maximum of 89 days at \$20 per day with a maximum payout of \$1,780. As of June 30, 2016, there are 5 certified employees eligible for sick leave pay. A corresponding liability, which includes applicable payroll taxes, has been set up as a long-term liability.

Accounts Payable, Accrued Liabilities and Long-term Obligations:

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

Pensions:

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

Fund Balance Classifications:

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as inventory and prepaid items.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Inspection.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

Deferred Outflows/Inflows of Resources:

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

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

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities are eliminated in the statement of activities.

Extraordinary and Special Items:

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

Estimates:

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

Revenue Recognition – Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2016.

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

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

Significant Group Concentrations of Credit Risk:

As of June 30, 2016, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System. North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

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

At June 30, 2016, the carrying amount of the District's deposits was \$1,512,482 and the bank balance was \$1,564,849. The bank balance was covered by Federal Depository Insurance and by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk

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

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

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

NOTE 4 CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	\$ 95,243	\$ -	\$ -	\$ -	\$ 95,243
Construction in Progress	29,995	-	-	(29,995)	-
Total Capital Assets Not Being Depreciated	<u>125,238</u>	<u>-</u>	<u>-</u>	<u>(29,995)</u>	<u>95,243</u>
Capital Assets Being Depreciated					
Buildings	2,752,183	147,020	-	269,551	3,168,754
Equipment	1,649,536	-	-	(239,556)	1,409,980
Total Capital Assets Being Depreciated	<u>4,401,719</u>	<u>147,020</u>	<u>-</u>	<u>29,995</u>	<u>4,578,734</u>
Less Accumulated Depreciation					
Buildings	(1,369,329)	(53,879)	-	(74,955)	(1,498,163)
Equipment	(880,953)	(108,445)	-	74,955	(914,443)
Total Accumulated Depreciation	<u>(2,250,282)</u>	<u>(162,324)</u>	<u>-</u>	<u>-</u>	<u>(2,412,606)</u>
Net Capital Assets Being Depreciated	<u>2,151,437</u>	<u>(15,304)</u>	<u>-</u>	<u>-</u>	<u>2,166,128</u>
Net Capital Assets for Governmental Activities	<u>\$ 2,276,675</u>	<u>\$ (15,304)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,261,371</u>

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

Regular Instruction	\$ 114,074
Operations and Maintenance	2,223
Transportation	46,027
	<u>\$ 162,324</u>

NOTE 5 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Title	Interest Rate	Original Maturity	Original Issue Amount	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within One Year
General Obligation Bond of 2012	.4% to 1.95%	4/1/2019	455,000	\$ 131,124	\$ -	\$ 131,124	\$ -	\$ -
Compensated Absences				9,581	2,197	-	11,778	-
Net Pension Liability				2,192,160	975,404	541,077	2,626,487	-
Total				<u>\$ 2,332,865</u>	<u>\$ 977,601</u>	<u>\$ 672,201</u>	<u>\$ 2,638,265</u>	<u>\$ -</u>

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Compensated absences are generally liquidated by the general fund.

Interest expense was \$570 for the year ended June 30, 2016.

As of July, 31 2015, the bonds were paid in full.

At June 30, 2016, rental commitments under operating leases were not significant.

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

At June 30, 2016, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Projects	Debt Service	Food Service	Total
Restricted for:					
Capital Projects	\$ -	\$ 286,927	\$ -	\$ -	\$ 286,927
Debt Service	-	-	-	-	-
Assigned to:					
Food Service	-	-	-	83,530	83,530
Unassigned:					
General Fund	1,106,556	-	-	-	1,106,556
Total Restricted	<u>\$ 1,106,556</u>	<u>\$ 286,927</u>	<u>\$ -</u>	<u>\$ 83,530</u>	<u>\$ 1,477,013</u>

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2016, there were the following accounts:

Restricted for Capital Projects:

The account represents fund held by the School District available to pay for capital projects.

Restricted for Debt Service:

This account represents funds held by the School District available to service long-term debt.

B. MINIMUM FUND BALANCE POLICY

The Board of Education has not formally adopted a fund balance policy for the General Fund, however, the Board tries to maintain a year-end target fund balance of approximately 25% for cash flow timing needs (working capital) and contingencies.

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially all certified employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) which is administered on a statewide basis.

Disclosures relating to these plans follow:

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code. Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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.

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.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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

Pension Costs

At June 30, 2016, the District reported a liability of \$2,626,487 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 0.200824 percent which was a decrease of 0.008387 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Employer recognized pension expense of \$160,349. 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 economic experience	\$ 17,211	\$ -
Changes in actuarial assumptions	294,909	-
Difference between projected and actual investment earnings	-	29,617
Changes in proportion	-	83,307
Contributions paid to TFFR subsequent to the measurement date	156,970	-
Total	\$ 469,090	\$ 112,924

\$156,970 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:	Pension Expense Amount
2017	\$ (16,237)
2018	(16,237)
2019	(16,237)
2020	(76,000)
2021	(38,285)

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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 inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57.00%	7.53%
Global Fixed Income	22.00%	1.28%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75	7.75	8.75
School's proportionate share of the GERS net pension liability:	\$ 3,471,027	\$ 2,626,487	\$ 1,922,159

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

The District carries commercial insurance for workers' compensation, employees' health, boiler and machinery, and accident insurance.

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

NOTE 9 CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 10 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2016 was \$13,606.

NOTE 11 TRANSFERS

The transfers as of June 30, 2016 consist of the following:

Transfer In	Transfer Out	Amount
General Fund	Debt Service Fund	\$ 34,588
		\$ 34,588

This transfer was made for the remaining funds left in the sinking and interest fund after all bonds had been paid off.

Due To Other Funds	Due From Other Funds	Amount
Capital Projects	General Fund	\$ 2,112
		\$ 2,112

This due to and from was due to funds being deposited into the wrong fund.

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through November 4, 2016, which is the date these financial statements were available to be issued.

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local Property Tax Levies	\$ 734,149	\$ 734,149	\$ 719,427	\$ (14,722)
Other Local & County Revenues	54,000	54,000	94,601	40,601
Revenue from State Sources	1,989,605	1,989,605	1,982,518	(7,087)
Revenue from Federal Sources	66,176	66,176	79,611	13,435
Interest	2,000	2,000	1,652	(348)
TOTAL REVENUES	<u>2,845,930</u>	<u>2,845,930</u>	<u>2,877,809</u>	<u>31,879</u>
EXPENDITURES				
Current:				
Business Support Services	86,225	86,225	85,870	(355)
Instructional Support Services	7,400	7,400	4,395	(3,005)
Administration	375,250	375,250	377,124	1,874
Operations and Maintenance	438,985	438,985	498,476	59,491
Transportation	166,700	166,700	147,855	(18,845)
Regular Instruction	1,575,443	1,575,443	1,403,715	(171,728)
Special Education	254,065	254,065	219,211	(34,854)
Vocational Education	52,580	52,580	51,527	(1,053)
Extra - Curricular Activities	176,680	176,680	150,188	(26,492)
Capital Outlay:				
Capital Outlay	-	-	147,021	147,021
TOTAL EXPENDITURES	<u>3,133,328</u>	<u>3,133,328</u>	<u>3,085,382</u>	<u>(47,946)</u>
Excess (Deficiency) of Revenues Over Expenditures	(287,398)	(287,398)	(207,573)	79,825
OTHER FINANCING SOURCES				
Transfers In	-	-	34,588	34,588
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>34,588</u>	<u>34,588</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(287,398)	(287,398)	(172,985)	114,413
Fund Balances - Beginning	1,279,541	1,279,541	1,279,541	-
Fund Balances - Ending	<u>\$ 992,143</u>	<u>\$ 992,143</u>	<u>\$ 1,106,556</u>	<u>\$ 114,413</u>

See Note to the Budgetary Comparison Schedules

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year, actual expenditures exceeded budgeted expenditures by \$47,946.

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

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLAN &
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 156,970	\$ 156,970	\$ -	\$ 1,231,138	12.75%
2015	157,498	157,498	-	1,235,280	12.75%

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability
2016	0.2008%	\$ 2,626,487	\$ 1,235,280	212.62%	62.10%
2015	0.2092%	2,192,160	1,213,536	180.64%	66.60%

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

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

See Note to the Required Supplementary Information

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015.

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

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUND
AS OF JUNE 30, 2016

	Food Service	Total Non-Major Gov't Funds
ASSETS		
Cash	\$ <u>83,530</u>	\$ <u>83,530</u>
TOTAL ASSETS	<u>\$ 83,530</u>	<u>\$ 83,530</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES		
Assigned	<u>83,530</u>	<u>83,530</u>
TOTAL FUND BALANCES	<u>83,530</u>	<u>83,530</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 83,530</u>	<u>\$ 83,530</u>

CENTRAL VALLEY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENT FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES		
Other Local & County Revenues	\$ 77,747	\$ 77,747
Revenue From Federal Sources	<u>50,508</u>	<u>50,508</u>
TOTAL REVENUES	<u>128,255</u>	<u>128,255</u>
EXPENDITURES		
Current:		
Food Services	<u>86,208</u>	<u>86,208</u>
TOTAL EXPENDITURES	<u>86,208</u>	<u>86,208</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>42,047</u>	<u>42,047</u>
Net Change in Fund Balances	<u>42,047</u>	<u>42,047</u>
Fund Balance - Beginning of Year	<u>41,483</u>	<u>41,483</u>
Fund Balance - End of Year	<u>\$ 83,530</u>	<u>\$ 83,530</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Education
Central Valley Public School District No. 3
Buxton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Central Valley Public School District No. 3 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, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit for the financial statements, we considered Central Valley Public School District No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. See findings 2016-001 and 2016-002.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Central Valley Public School District No. 3's financial statements are free of 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*.

The District's Response To Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

November 4, 2016

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
BUXTON, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-001

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

The District should separate the duties when it becomes feasible.

Management's Response

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

The Superintendent reviews monthly files of receipt, journal entries and account transfers.

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

The Board of Education reviews and approves all checks written.

The District will segregate other duties when feasible.

CENTRAL VALLEY PUBLIC SCHOOL DISTRICT NO. 3
BUXTON, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Finding 2016-002

Criteria

The District does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The District's auditors prepared the financial statements as of June 30, 2016. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Cause

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

Effect

The Superintendent is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to end users.

Recommendation

For entities of the District's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. The District should establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Management's Response

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.