LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
LARIMORE, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2016

Joe Reinhold	President
Henry Borysewicz	Vice President
Mitch McCoy	Board Member
Meg Farrell	Board Member
Todd Yahna	Board Member
Roger Abbe	Superintendent
Shauna Sather	Business Manager

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Larimore Public School District No. 44
Larimore, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Larimore Public School District No. 44, 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 Larimore Public School District No. 44, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 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 the District's internal control over financial reporting and compliance.

Brady Martz

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

August 26, 2016

The discussion and analysis of Larimore 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 the 2015-2016 fiscal years are as follows:

- Net position of the District decreased $82,051 over the prior year as a result of the current year's operations.
- Governmental net position totaled $(750,556).
- Total revenues from all sources were $5,455,002.
- Total expenses were $5,537,053.
- The District's general fund had $5,169,983 in total revenues and $5,370,596 in expenditures. Overall, the general fund balance decreased by $167,046 for the year ended June 30, 2016, compared to an increase of $44,895 in the previous year.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Larimore Public School District No. 44 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 the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 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.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The 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 $82,051. Long term liabilities increased by $1,599,140 for the year ended June 30, 2016 due to a new debt issuance. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $(750,556) is segregated into three separate categories. Net investment in capital assets represents 298% of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents 35% 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 (433)% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

Table 1	2016	2015
Assets		
Current Assets	$ 2,694,635	$ 1,606,697
Capital Assets (Net of Related Debt)	2,503,376	2,530,125
Total Assets	5,198,011	4,136,822
Deferred Outflows of Resources		
Cost Sharing Defined Benefit Plan	853,098	335,531
Total Deferred Inflows of Resources	853,098	335,531
Liabilities		
Current Liabilities	315,773	251,470
Long-Term Liabilities	5,990,558	4,391,418
Total Liabilities	6,306,331	4,642,888
Deferred Inflows of Resources		
Cost Sharing Defined Benefit Plan	495,334	497,970
Total Deferred Inflows of Resources	495,334	497,970
Net Position		
Net Investment in Capital Assets	2,237,877	2,157,125
Restricted	263,756	321,786
Unrestricted	(3,252,189)	(3,147,416)
Total Net Position	$ (750,556)	$ (668,505)

Table 2 shows the changes in net position for the fiscal years ended June 30, 2016 and 2015.

Table 2	2016	2015
Revenues		
Program Revenues		
Charges for Services	$ 220,731	$ 204,605
Operating Grants and Contributions	473,224	528,206
General Revenues		
Taxes	1,418,991	1,403,663
State Aid	3,318,773	3,245,687
Investment Earnings (Losses)	23,283	(3,546)
Total Revenues	5,455,002	5,378,615
Expenses		
Business Support Services	313,044	238,436
Instructional Support Services	94,585	87,889
Administration	146,547	119,697
Operations and Maintenance	661,629	551,867
Transportation	234,562	270,829
Regular Instruction	2,603,534	2,309,469
Special Education	773,302	841,132
Vocational Education	192,841	178,093
Extra-Curricular Activities	248,805	236,131
Food Services	241,759	222,823
Enterprise Services	-	15,000
Interest and Fees on Long-Term Debt	26,445	10,883
Total Expenses	5,537,053	5,082,249
Change in Net Position	(82,051)	296,366
Net Position - Beginning	(668,505)	3,333,793
GASB 68 & 71 Adjustment	-	(4,298,664)
Net Position - Beginning as Restated	(668,505)	(964,871)
Net Position - Ending	$ (750,556)	$ (668,505)

Property taxes constituted 26%, state aid 61%, operating grants and contributions 9%, and charges for services made up 4% of the total revenues of governmental activities of the District for fiscal year 2016.

Regular instruction comprised 47% of district expenses.

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

Table 3	Total Cost for Year Ended 6/30/2016	Net Cost for Year Ended 6/30/2016	Total Cost for Year Ended 6/30/2015	Net Cost for Year Ended 6/30/2015
Business Support Services	$ 313,044	$ (313,044)	$ 238,436	$ (238,436)
Instructional Support Services	94,585	(94,585)	87,889	(87,889)
Administration	146,547	(146,547)	119,697	(119,697)
Operations and Maintenance	661,629	(661,629)	551,867	(551,867)
Transportation	234,562	(62,931)	270,829	(103,322)
Regular Instruction	2,603,534	(2,453,615)	2,309,469	(2,231,064)
Special Education	773,302	(680,909)	841,132	(647,571)
Vocational Education	192,841	(166,780)	178,093	(140,849)
Extra-Curricular Activities	248,805	(219,879)	236,131	(198,011)
Food Services	241,759	(16,734)	222,823	(4,849)
Enterprise Services	-	-	15,000	(15,000)
Interest and Fees on Debt	26,445	(26,445)	10,883	(10,883)
Total Expenses	$ 5,537,053	$ (4,843,098)	$ 5,082,249	$ (4,349,438)

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.

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

Other Programs and Services include expenditures such as counseling and guidance salaries, food services, etc.

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 $5,443,239 and $5,379,725 and expenditures of $5,684,537 and $5,380,628 for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, the unassigned fund balance of the District's general fund was $977,178 and $1,144,224 and total fund balance for all the District's governmental funds were $2,532,712 and $1,453,511, respectively.

General Fund Budgeting Highlights

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

Actual revenues were $18,125 higher than expected and actual expenditures were $103,095 over budget in the general fund due to higher property tax revenues than expected and salaries expense and Upper Valley special education fees were higher than expected. The District uses a conservative approach to budgeting by estimating revenues low.

Capital Assets

As of June 30, 2016 and 2015, the District had $2,503,376 and $2,530,125 , respectively, invested in capital assets. Table 4 shows balances as of June 30, 2016 and 2015. Please see Note 4 for detailed information.

Table 4

	2016	2015
Land	$ 847,707	$ 847,707
Buildings	697,715	715,547
Equipment	957,954	966,871
Totals	$ 2,503,376	$ 2,530,125

Debt Administration:

As of June 30, 2016, the District had $6,202,637 in outstanding debt. The District increased its overall debt by $1,663,719 from June 30, 2015. See below and Note 5 for description of the District's debt.

Table 5	Balance 7/1/2015 As Restated	Issued	Amount Retired During Year	Balance June 30, 2016
Limited Tax School Building Bonds of 2011	$ 148,000	$ -	$ 73,000	$ 75,000
Limited Tax School Building Bonds of 2012	225,000	-	55,000	170,000
School Building Bonds of 2016	-	1,300,000	-	1,300,000
Bond Premium	-	20,499	-	20,499
Early Retirement	39,000	22,000	19,500	41,500
Compensated Absences	14,307	3,122	-	17,429
Net Pension Liability	4,112,611	1,787,841	1,322,243	4,578,209
	$ 4,538,918	$ 3,133,462	$ 1,469,743	$ 6,202,637

For the Future:

The District has made a major change in its finances by switching to a high-deductible plan for group insurance. This has helped to offset the cost of providing insurance to additional classified staff. Renovations at the Elementary School are being paid for through bonds that will be paid by a portion of the District's Building Fund. Bond payments will use 6-7 mills for up to 20 years. Current Sinking and Interest Fund bonds will be paid off by 2018. Staffing remains to be a major portion of the District's expenses. This will be impacted by going to a full-time superintendent for the 2017-18 school year. The District is maintaining a healthy year-end balance and will work toward a balanced budget to the greatest extent possible.

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 Shauna Sather, Business Manager, Larimore Public School District, P.O. Box 769, 300 Booth Avenue, Larimore, ND 58251-0769, or email at shauna.sather@k12.nd.us

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

ASSETS	
Cash and Investments	$ 2,576,470
Federal Receivables	46,278
Property Taxes Receivable	71,887
Total Current Assets	2,694,635
Capital Assets	
Land	847,707
Buildings	1,688,260
Equipment	2,283,988
Less Accumulated Depreciation	(2,316,579)
Total Capital Assets, Net of Depreciation	2,503,376
TOTAL ASSETS	5,198,011
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	760,679
Cost Sharing Defined Benefit Pension Plan - NDPERS	92,419
TOTAL DEFERRED OUTFLOWS OF RESOURCES	853,098
LIABILITIES	
Payroll Deductions	98,692
Interest Payable	5,002
Bonds Payable Due Within One Year	186,079
Early Retirement Due Within One Year	26,000
Total Current Liabilities	315,773
Long-Term Liabilities	
Bonds Payable (Net of Current Maturities)	1,379,420
Early Retirement Payable (Net of Current Maturities)	15,500
Compensated Absences	17,429
Net Pension Liability	4,578,209
Total Non-Current Liabilities	5,990,558
TOTAL LIABILITIES	6,306,331
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	443,996
Cost Sharing Defined Benefit Pension Plan - NDPERS	51,338
TOTAL DEFERRED INFLOWS OF RESOURCES	495,334
NET POSITION	
Net Investment in Capital Assets	2,237,877
Restricted for Debt Service	149,978
Restricted for Special Reserve	32,283
Restricted for Building Projects	81,495
Unrestricted	(3,252,189)
TOTAL NET POSITION	$ (750,556)

See the Accompanying Notes to the Financial Statements

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
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	$ 313,044	$ -	$ -	$ (313,044)
Instructional Support Services	94,585	-	-	(94,585)
Administration	146,547	-	-	(146,547)
Operations and Maintenance	661,629	-	-	(661,629)
Transportation	234,562	-	171,631	(62,931)
Regular Instruction	2,603,534	66,420	83,499	(2,453,615)
Special Education	773,302	-	92,393	(680,909)
Vocational Education	192,841	-	26,061	(166,780)
Extra-Curricular Activities	248,805	28,926	-	(219,879)
Food Services	241,759	125,385	99,640	(16,734)
Enterprise Services	-	-	-	-
Interest and Fees on Long-Term Debt	26,445	-	-	(26,445)
TOTAL GOVERNMENTAL ACTIVITIES	$ 5,537,053	$ 220,731	$ 473,224	(4,843,098)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				1,145,924
Property Taxes, Levied for Debt Service				103,534
Property Taxes, Levied for Special Reserve				36,495
Property Taxes, Levied for Capital Projects				133,038
Aids and Payments from the State				3,318,773
Unrestricted Investment Earnings (Losses)				23,283
TOTAL GENERAL REVENUES				4,761,047
Change in Net Position				(82,051)
Net Position - Beginning				(668,505)
Net Position - Ending				$ (750,556)

See the Accompanying Notes to the Financial Statements

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	General Fund	Building Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 1,022,894	$ 1,374,445	$ 179,131	$ 2,576,470
Federal Receivables	46,278	-	-	46,278
Property Taxes Receivable	56,705	7,050	8,132	71,887
TOTAL ASSETS	$ 1,125,877	$ 1,381,495	$ 187,263	$ 2,694,635
LIABILITIES				
Payroll Deductions	$ 98,692	$ -	$ -	$ 98,692
TOTAL LIABILITIES	98,692	-	-	98,692
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	50,007	6,307	6,917	63,231
TOTAL DEFERRED INFLOWS OF RESOURCES	50,007	6,307	6,917	63,231
FUND BALANCES				
Restricted for Debt Service	-	-	149,991	149,991
Restricted for Special Reserve	-	-	30,355	30,355
Restricted for Building Projects	-	1,375,188	-	1,375,188
Unassigned	977,178	-	-	977,178
TOTAL FUND BALANCES	977,178	1,375,188	180,346	2,532,712
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,125,877	$ 1,381,495	$ 187,263	$ 2,694,635

See the Accompanying Notes to the Financial Statements

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

Total fund balances - governmental funds		$ 2,532,712
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported as net assets in government funds:		
Cost of capital assets	$ 4,819,955	
Less: accumulated depreciation	(2,316,579)	
Net		2,503,376
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.		357,764
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.		63,231
Bond premiums that are amortized over the life of the debt issue		(20,499)
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.		
Bonds Payable		(1,545,000)
Compensated Absences		(17,429)
Early Retirement		(41,500)
Net Pension Liability		(4,578,209)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental fund.		(5,002)
Net Position - Governmental Activities		$ (750,556)

See the Accompanying Notes to the Financial Statements

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	$ 1,134,161	$ 133,038	$ 140,029	$ 1,407,228
Other Local and County Revenues	220,732	-	-	220,732
Revenue From State Sources	3,516,465	-	-	3,516,465
Revenue From Federal Sources	275,531	-	-	275,531
Gain/(Loss) on Fair Value Investments	7,907	-	-	7,907
Interest	15,187	89	100	15,376
TOTAL REVENUES	5,169,983	133,127	140,129	5,443,239
EXPENDITURES				
Current:				
Business Support Services	313,044	-	-	313,044
Instructional Support Services	94,585	-	-	94,585
Administration	146,547	-	-	146,547
Operations and Maintenance	499,383	161,796	450	661,629
Transportation	185,633	-	-	185,633
Regular Instruction	2,513,407	-	-	2,513,407
Special Education	773,302	-	-	773,302
Vocational Education	192,841	-	-	192,841
Extra-Curricular Activities	248,805	-	-	248,805
Food Services	241,759	-	-	241,759
Capital Outlay:	161,290	-	-	161,290
Debt Service:				
Principal Retirement	-	-	128,000	128,000
Interest and Fees on Long-Term Debt	-	17,526	6,169	23,695
TOTAL EXPENDITURES	5,370,596	179,322	134,619	5,684,537
Excess (deficiency) of Revenues over (under) Expenditures	(200,613)	(46,195)	5,510	(241,298)
Other Financing Sources (Uses)				
Transfers from Other Funds	33,567	-	-	33,567
Transfers to Other Funds	-	-	(33,567)	(33,567)
Bond Issuance	-	1,300,000	-	1,300,000
Bond Premium	-	20,499	-	20,499
Total Other Financing Sources (Uses)	33,567	1,320,499	(33,567)	1,320,499
Net Change in Fund Balances	(167,046)	1,274,304	(28,057)	1,079,201
Fund Balance - Beginning of Year	1,144,224	100,884	208,403	1,453,511
Fund Balance - End of Year	$ 977,178	$ 1,375,188	$ 180,346	$ 2,532,712

See the Accompanying Notes to the Financial Statements

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
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		$ 1,079,201
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	$ 161,290	
Depreciation Expense	(187,140)	(25,850)
Gain (Loss) on Disposition of Assets		(899)
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.		128,000
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. These items consisted of the (increase)/decrease in:		
Early Retirement	$ (2,500)	
Compensated Absences	(3,122)	(5,622)
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		11,763
Changes in deferred outflows and inflows of resources related to net pension liability		520,203
Proceeeds from bond issuances are a long-term liability in the statement of net position. They are netted against repayments of long-term debt which reduce long-term liabilities in the statement of net position.		(1,300,000)
Premiums on bonds payable are a long-term liability in the statement of net position.		(20,499)
Change in net pension liability		(465,598)
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 increased by $2,750.		(2,750)
Change in net position - Governmental Activities		$ (82,051)

See the Accompanying Notes to the Financial Statements

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
STATEMENT OF NET POSITION – FIDUCIARY FUND
AS OF JUNE 30, 2016

ASSETS	
Cash and Cash Equivalents	$ 116,644
TOTAL ASSETS	$ 116,644
LIABILITIES	
Due to Student Groups	$ 116,644
TOTAL LIABILITIES	$ 116,644

See the Accompanying Notes to the Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

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

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

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

Fund Financial Statements:

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

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

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

Building Fund:
This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for constructing and equipping new school facilities and renovation of existing facilities.

Non-major governmental funds are as follows:

Special Reserves:
Special Reserve funds are used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category are the transactions for the special reserve funds.

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

Fiduciary Funds:

The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of 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, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for 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.

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 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 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.

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.

Cash and Cash Equivalents:

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

Investments:

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

Fair Value Measurements

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

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

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

Capital Assets:

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

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

Buildings	50 years
Furniture and Equipment	5 to 20 years

Compensated Absences:

Vacation pay applies to full-time staff and recorded as an expenditure when paid. Sick leave accrues at a rate of $10 per day up to a maximum of 80 days. Upon termination, an employee will be paid for any unused sick days. At June 30, 2016, the accrued severance liability was $17,429.

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 North Dakota Public Employee Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and TFFR. 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.

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 Instruction.

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.

Net Position

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

Deferred Outflows/Inflows of Resources

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

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

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 requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes:

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

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 $2,189,020 and the bank balance was $2,234,175. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

As of June 30, 2016, the District had the following investments and maturities:

	6/30/2016	Less than One Year	1-5 Years	6-10 Years	Fair Value Measurments Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Rating	Agency
Investments by Fair Value Level									
Cash & Cash Alternatives									
Client Interest Program	$ 6,213	$ 6,213	$ -	$ -	$ 6,213	$ -	$ -		
Certificates of Deposit (various banks)	150,483	100,060	50,423	-	150,483	-	-	n/a	n/a
Debt Securities									
Anheuser-Busch Inbev Finance Inc.	25,024	-	25,024	-	25,024	-	-	A3	Moody's
Bank of America	29,041	-	-	29,041	29,041	-	-	Baa1	Moody's
Berkshire Hathaway Finance Corp	27,805	-	27,805	-	27,805	-	-	Aa2	Moody's
Costco Companies	25,602	-	25,602	-	25,602	-	-	A1	Moody's
DirecTV Holdings	26,558	-	26,558	-	26,558	-	-	BBB+	S&P
General Electric Capital Corporation	28,629	-	28,629	-	28,629	-	-	A1	Moody's
Goldman Sachs Group, Inc.	27,808	-	27,808	-	27,808	-	-	A3	Moody's
JPMorgan Chase Co.	27,635	-	27,635	-	27,635	-	-	A3	Moody's
Nike, Inc.	25,767	-	-	25,767	25,767	-	-	A1	Moody's
Pepsico, Inc.	26,914	-	26,914	-	26,914	-	-	A1	Moody's
Verizon Communications, Inc.	25,223	-	-	25,223	25,223	-	-	Baa1	Moody's
Wells Fargo & Co.	25,523	-	25,523	-	25,523	-	-	A2	Moody's
Wells Fargo & Co.	25,869	-	-	25,869	25,869	-	-	A3	Moody's
Total Investments by Fair Value Level	$ 504,094	$ 106,273	$ 291,921	$ 105,900	$ 504,094	$ -	$ -		

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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.

During the current year, the District invested idle funds of $477,000 in publicly traded securities with maturity dates exceeding 270 days. As a result, the District is not in compliance with North Dakota Century Code Section 21-06-07.

NOTE 4 CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 847,707	$ -	$ -	$ 847,707
Total	847,707	-	-	847,707
Capital Assets Being Depreciated				
Buildings	1,688,260	-	-	1,688,260
Furniture & Equipment	2,241,838	161,290	(119,140)	2,283,988
Total	3,930,098	161,290	(119,140)	3,972,248
Less Accumulated Depreciation				
Buildings	972,713	17,832	-	990,545
Furniture & Equipment	1,274,967	169,308	(118,241)	1,326,034
Total	2,247,680	187,140	(118,241)	2,316,579
Net Capital Assets Being Depreciated	1,682,418	(25,850)	(899)	1,655,669
Net Capital Assets for Governmental Activities	$ 2,530,125	$ (25,850)	$ (899)	$ 2,503,376

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

	Depreciation	Additions
Transportation	$ 48,929	$ 48,747
Regular Instruction	138,211	112,543
	$ 187,140	$ 161,290

NOTE 5 LONG-TERM DEBT

A summary of long-term debt is as follows:

Title	Interest Rate	Original Maturity	Balance 6/30/2015 As Restated	Additions	Reductions	Balance 6/30/2016	Due within One Year
School Building Bonds of 2011	2.50%	03-15-2017	$ 148,000	$ -	$ 73,000	$ 75,000	$ 75,000
School Building Bonds of 2012	1.25%	08-01-2018	225,000	-	55,000	170,000	55,000
School Building Bonds of 2016	2.00-3.00%	08-01-2035	-	1,300,000	-	1,300,000	55,000
Bond Premium			-	20,499	-	20,499	1,079
Early Retirement			39,000	22,000	19,500	41,500	26,000
Compensated Absences			14,307	3,122	-	17,429	-
Net Pension Liability			4,112,611	1,787,841	1,322,243	4,578,209	-
			$ 4,538,918	$ 3,133,462	$ 1,469,743	$ 6,202,637	$ 212,079

Compensated absences and early retirement are generally liquidated by the general fund.

Interest expense was $26,445 for the year ended June 30, 2016.

Annual debt service requirements to maturity are as follows:

	Fiscal Year Ending June 30	Principal	Interest	Total
School Building Bonds of 2012				
	2017	$ 55,000	$ 1,781	$ 56,781
	2018	55,000	1,094	56,094
	2019	60,000	375	60,375
		$ 170,000	$ 3,250	$ 173,250

	Fiscal Year Ending June 30	Principal	Interest	Total
School Building Bonds of 2011				
	2017	$ 75,000	$ 1,875	$ 76,875
		$ 75,000	$ 1,875	$ 76,875

	Fiscal Year Ending June 30	Principal	Interest	Total
School Building Bonds of 2016				
	2017	$ 45,000	$ 22,000	$ 67,000
	2018	45,000	32,550	77,550
	2019	60,000	31,650	91,650
	2020	60,000	30,600	90,600
	2021	60,000	29,400	89,400
	2022-2026	330,000	128,200	458,200
	2027-2031	370,000	88,600	458,600
	2032-2036	330,000	31,200	361,200
		$ 1,300,000	$ 394,200	$ 1,694,200

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

NOTE 6 FUND BALANCE

A. Classifications

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

	Debt Service Fund	Special Reserve Fund	Building Fund	Total
Restricted for:				
Debt Service	$ 149,991	$ -	$ -	$ 149,991
Special Reserve	-	30,355	-	30,355
Building	-	-	1,375,188	1,375,188
Total Restricted	$ 149,991	$ 30,355	$ 1,375,188	$ 1,555,534

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

Restricted for Special Reserve:
This account represents funds, which can be used whenever collections from taxes levied for the current budget, are insufficient to meet the requirements of such budget.

Restricted for Building:
This account represents funds held by the School District available to pay for Building projects.

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 fund balance of not less than 10% of the General Fund's current annual operating expenditure budget.

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Contributions

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

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

Pension Costs

At June 30, 2016, the District reported a liability of $4,139,362 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 0.316507 percent which was a decrease of 0.040 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Employer recognized pension expense of $208,380. 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	$ 27,126	$ -
Changes in actuarial assumptions	464,790	-
Difference between projected and actual investment earnings	-	46,678
Changes in proportion	-	397,318
Contributions paid to TFFR subsequent to the measurement date	268,763	-
Total	$ 760,679	$ 443,996

$268,763 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 ending June 30:	Pension Expense Amount
2017	$ (18,746)
2018	(18,746)
2019	(18,746)
2020	75,442
2021	16,470
Thereafter	12,246

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%

Discount Rate

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

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 TFFR net pension liability:	$ 5,470,483	$ 4,139,362	$ 3,029,402

Pension Plan Fiduciary Net Position

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

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

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2016, the District reported a liability of $438,847 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the District's proportion was 0.064538 percent, which was an increase of 0.005134 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of $47,571. At June 30, 2016, the District 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	$ 12,732	$ -
Difference between contribution and proportionate share contribution	31,555	2,975
Changes in actuarial assumptions	-	39,099
Difference between projected and actual investment earnings	-	9,264
Contributions paid to NDPERS subsequent to the measurement date	48,132	-
Total	$ 92,419	$ 51,338

$48,132 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 Ending June 30:	Pension Expense Amount
2017	$ (6,144)
2018	(6,144)
2019	(6,144)
2020	12,999
2021	(1,618)

Actuarial Assumptions

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

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

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	7.00%	8.00%	9.00%
School's proportionate share of the NDPERS net pension liability:	$ 672,950	$ 438,847	$ 247,309

Pension Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 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 any premium for this coverage.

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

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

NOTE 9 CONTINGENT LIABILITIES

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 $17,904.

NOTE 11 TRANSFERS

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

Transfers In	Transfers out	Amount
General Fund	Special Reserves	$ 33,567
		$ 33,567

The transfer was made for half of the special reserve fund levy as allowed by ND Century Code.

NOTE 12 NEW PRONOUNCEMENTS

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

GASB Statement No. 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.

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 August 26, 2016, which is the date these financial statements were available to be issued.

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
BUDGETARY COMPARISON SCHEDULE OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	$ 1,160,692	$ 1,160,692	$ 1,134,161	$ (26,531)
Other Local and County Revenues	196,300	196,300	220,732	24,432
Revenue From State Sources	3,517,495	3,517,495	3,516,465	(1,030)
Revenue From Federal Sources	264,371	264,371	275,531	11,160
Gain/(Loss) on Fair Value Investments	-	-	7,907	7,907
Interest	13,000	13,000	15,187	2,187
TOTAL REVENUES	5,151,858	5,151,858	5,169,983	18,125
EXPENDITURES				
Business Support Services and Technology	315,179	315,179	313,044	(2,135)
Instructional Support Services	95,004	95,004	94,585	(419)
Administration	132,370	132,370	146,547	14,177
Operations and Maintenance	497,922	497,922	499,383	1,461
Transportation	240,717	240,717	185,633	(55,084)
Regular Instruction	2,601,121	2,601,121	2,513,407	(87,714)
Special Education	741,119	741,119	773,302	32,183
Vocational Education	194,237	194,237	192,841	(1,396)
Extra-Curricular Activities	231,196	231,196	248,805	17,609
Food Services	218,636	218,636	241,759	23,123
Capital Outlay	-	-	161,290	161,290
TOTAL EXPENDITURES	5,267,501	5,267,501	5,370,596	103,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,643)	(115,643)	(200,613)	(84,970)
Net Change in Fund Balances	(115,643)	(115,643)	(200,613)	(84,970)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	33,567	33,567
TOTAL OTHER FINANCING SOURCES (USES)	-	-	33,567	33,567
Excess (Deficiency) of Revenues Over Expenditures	(115,643)	(115,643)	(167,046)	(51,403)
Fund Balances - Beginning	1,144,224	1,144,224	1,144,224	-
Fund Balances - Ending	$ 1,028,581	$ 1,028,581	$ 977,178	$ (51,403)

See Note to the Budgetary Comparison Schedule

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 $103,095.

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

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

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.

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

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

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	$ 268,763	$ 268,763	$ -	$ 2,107,946	12.75%
2015	248,224	248,224	-	1,946,851	12.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	$ 41,489	$ 41,489	$ -	$ 582,705	7.12%
2015	46,519	46,519	-	563,187	8.26%

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

See Note to the Required Supplementary Information

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.3165%	$ 4,139,362	$ 1,946,851	212.62%	62.10%
2015	0.3565%	3,735,561	2,067,930	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0645%	$ 438,847	$ 574,956	76.33%	77.15%
2015	0.0594%	377,050	500,404	75.35%	77.70%

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

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

See Note to the Required Supplementary Information

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.

NDPERS

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

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

	Special Reserve	Debt Service	Total Non-Major Gov't Funds
ASSETS			
Cash and Investments	$ 30,130	$ 149,001	$ 179,131
Taxes Receivable	2,153	5,979	8,132
TOTAL ASSETS	$ 32,283	$ 154,980	$ 187,263
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes	$ 1,928	$ 4,989	$ 6,917
TOTAL DEFERRED INFLOWS OF RESOURCES	1,928	4,989	6,917
FUND BALANCES			
Restricted	30,355	149,991	180,346
TOTAL FUND BALANCES	30,355	149,991	180,346
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 32,283	$ 154,980	$ 187,263

LARIMORE PUBLIC SCHOOL DISTRICT NO. 44
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Reserves	Debt Service	Total Non-Major Governmental Funds
REVENUES			
Local Property Tax Levies	$ 36,495	$ 103,534	$ 140,029
Interest	28	72	100
TOTAL REVENUES	36,523	103,606	140,129
EXPENDITURES			
Operations and Maintenance	-	450	450
Debt Service:			
Principal Retirement	-	128,000	128,000
Interest and Fees on Long-Term Debt	-	6,169	6,169
TOTAL EXPENDITURES	-	134,619	134,619
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,523	(31,013)	5,510
Other Financing Sources (Uses)			
Transfers to Other Funds	(33,567)	-	(33,567)
Total Other Financing Sources (Uses)	(33,567)	-	(33,567)
Net Changes in Fund Balances	2,956	(31,013)	(28,057)
Fund Balance - Beginning of Year	27,399	181,004	208,403
Fund Balance - End of Year	$ 30,355	$ 149,991	$ 180,346

BRADY MARTZ
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
Larimore Public School District No. 44
Larimore, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Larimore Public School District No. 44 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 August 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Larimore Public School District No. 44'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 Larimore Public School District No. 44's internal control. Accordingly, we do not express an opinion on the effectiveness of Larimore Public School District No. 44's internal control.

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

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Larimore Public School District No. 44's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2016-003.

The District's Responses To Findings

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

Purpose Of This Report

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

Brady Martz

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

August 26, 2016

2016-001 Finding

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

Condition
The District 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 District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

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

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

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

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

2016-002 Finding

Criteria
The District does not 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 the 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.

2016-003 Finding

Criteria
The North Dakota Century Code Section 21-06-07 does not permit governments to invest idle funds in publicly traded securities with maturity dates exceeding 270 days.

Condition
The District has $477,000 invested in publicly traded securities with maturity dates exceeding 270 days from purchase date.

Cause
The District had finalized investments before being aware of the North Dakota Century Code.

Effect
The District is not in compliance with the North Dakota Century Code Section 21-06-07.

Recommendation
We recommend that the District transfer the funds into investments allowed by the North Dakota Century Code Section 21-06-07.

Management's Response

We were not aware of the requirements in Century Code until after the investments had been finalized. By that time, it was too late to get out of them without a negative impact on the district. The accounts are being watched to make sure they perform as projected and any reinvested funds, or future investments, will be invested in line with Century Code. Until then, these will be allowed to mature and expire according to the plan.