

MAY-PORT CG SCHOOL DISTRICT #14

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

To the School Board
May-Port CG School District #14
900 Main Street West
Mayville, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **May-Port CG School District #14** 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 **May-Port CG School District #14** 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.

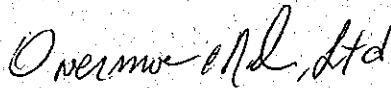
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of employer share of net pension liability and employer contributions on pages 3-5 and 34-38 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2016 on our consideration of the May-Port CG School District #14's internal control over financial reporting and 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 May-Port CG School District #14's internal control over financial reporting and compliance.



OVERMOE & NELSON, LTD
Certified Public Accountants
Grand Forks, North Dakota

November 14, 2016

May-Port CG School District #14
 Mayville, North Dakota 58257-1000

Management's Discussion and Analysis
 Fiscal Year 6/30/2016

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements report the District's operations in more detail than the government-wide financial statements.

The District as a Whole

The District's net position decreased \$162,041 during the year. Last year, net position decreased by \$264,457.

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current Assets	\$ 2,119,106	\$ 2,105,204	\$ -	\$ -	\$ 2,119,106	\$ 2,105,204
Non-Current Assets	\$ 3,536,234	\$ 3,686,620	-	-	\$ 3,536,234	\$ 3,686,620
TOTAL ASSETS	\$ 5,655,340	\$ 5,791,824	-	-	\$ 5,655,340	\$ 5,791,824
DEFERRED OUTFLOWS						
Pension Related Deferred Outflows	\$ 1,092,805	\$ 366,945	-	-	\$ 1,092,805	\$ 366,945
TOTAL OUTFLOWS	\$ 1,092,805	\$ 366,945	-	-	\$ 1,092,805	\$ 366,945
LIABILITIES						
Current Liabilities	\$ 159,992	\$ 166,668	-	-	\$ 159,992	\$ 166,668
Long-Term Liabilities	\$ -	\$ -	-	-	\$ -	\$ -
Net Pension Liability	\$ 5,562,033	\$ 4,370,196	-	-	\$ 5,562,033	\$ 4,370,196
TOTAL LIABILITIES	\$ 5,722,025	\$ 4,536,864	-	-	\$ 5,722,025	\$ 4,536,864
DEFERRED INFLOWS						
Deferred Revenue	\$ -	\$ -	-	-	\$ -	\$ -
Pension Related Deferred Inflows	\$ 62,720	\$ 496,464	-	-	\$ 62,720	\$ 496,464
TOTAL DEFERRED INFLOWS	\$ 62,720	\$ 496,464	-	-	\$ 62,720	\$ 496,464
NET POSITION						
Net Investment in Capital Assets	\$ 3,522,441	\$ 3,667,491	-	-	3,522,441	\$ 3,667,491
Restricted for Capital Projects	\$ 492,297	\$ 478,541	-	-	\$ 492,297	\$ 478,541
Unrestricted	\$ (3,051,338)	\$ (3,020,591)	-	-	\$ (3,051,338)	\$ (3,020,591)
TOTAL NET POSITION	\$ 963,400	\$ 1,125,441	-	-	\$ 963,400	\$ 1,125,441

Following are the changes in net position for the years:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Charges for Services (pg 7)	\$ 332,453	\$ 304,177	\$ -	\$ -	\$ 332,453	\$ 304,177
Operating Grants and Contributions	4,167,996	4,186,487	-	-	4,167,996	4,186,487
Property Taxes	1,701,096	1,479,168	-	-	1,701,096	1,479,168
Mill Reduction Payment	-	-	-	-	-	-
Interest Income	7,312	16,132	-	-	7,312	16,132
Other Revenues	13,870	21,941	-	-	13,870	21,941
Proceeds from Sale of Fixed Assets	-	-	-	-	-	-
Total Revenues	\$ 6,222,727	\$ 6,007,905	-	-	\$ 6,222,727	\$ 6,007,905
Program Expenses						
Instruction	\$ 3,175,651	\$ 3,011,672	\$ -	\$ -	\$ 3,175,651	\$ 3,011,672
Special Education	273,863	276,146	-	-	273,863	276,146
Guidance	127,545	146,102	-	-	127,545	146,102
Vocational Education	183,384	172,130	-	-	183,384	172,130
Instructional Administration	351,105	327,959	-	-	351,105	327,959
Instructional Media Services	172,196	162,112	-	-	172,196	162,112
Technology	159,983	187,995	-	-	159,983	187,995
Food Services	359,110	349,739	-	-	359,110	349,739
Nursing Services	28,091	26,892	-	-	28,091	26,892
School Administration	473,910	442,191	-	-	473,910	442,191
Plant Services	861,255	907,555	-	-	861,255	907,555
Transportation	218,675	261,869	-	-	218,675	261,869
Interest and Fiscal Charges on Debt	-	-	-	-	-	-
Total Expenses	\$ 6,384,768	\$ 6,272,362	-	-	\$ 6,384,768	\$ 6,272,362
Change in Net Position	\$ (162,041)	\$ (264,457)	-	-	\$ (162,041)	\$ (264,457)

The District's net position decreased by \$162,041. *Property Taxes* brought in \$221,928 more; the District re-instated 6 mills that were dropped the previous year for the intentional spend-down. *Charges for Services* increased by \$28,276; this was mainly due to an increase in special education services. Overall expenses increased by \$112,406. The *Instructional* area saw an increase of \$163,979 in expenses; the increase was due to salary and benefit increases. *Plant Service* expenditures decreased by \$46,300; this was mainly due to the cost of propane dropping significantly. *Transportation* expenditures decreased by \$43,194; this was due to the District not purchasing a bus.

Business-Type Activities

The District had no business-type activities during the year.

School District's Funds

The May-Port CG School District maintains three major funds: General, Capital Projects, and Hot Lunch.

The General Fund pays for such District expenses as regular instruction, special education, vocational, technology, library and district-wide services, administration, school lunch, buildings and grounds operation and maintenance, student transportation, and co-curricular activities. The number of mills levied for the General Fund was 72 mills.

The Capital Projects has a 10 mill levy for the Building Fund, which is used for repair and maintenance on all MPCG Buildings, over and above operating and maintenance expenses paid from the General Fund.

The Hot Lunch Fund pays all expenses for the school lunch program. Salaries for cooks are paid from the General Fund and then reimbursed by the Hot Lunch Fund.

General Fund Budgetary Highlights

Revenue was less than budget by \$58,539 with actual expenditures coming in under budget by \$368,998. Revenue from local sources was \$31,442 less than budget; due to unpaid or deferred property tax.

Governmental Activities

The District's total governmental revenues increased by \$190,305. Local sources increased \$197,411; this was due to the mill increase. Expenditures decreased by \$167,800. Building and Equipment expenses decreased by \$172,026; due to no major maintenance project. Plant Services expenditures decreased by \$51,608; this was due to the drop in price on propone. Instruction expenditures increased by \$63,666; this was due to salary and benefit increases.

The May-Port CG School District, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

Capital Asset and Debt Administration

Capital assets acquired totaled \$156,819. Depreciation for the year was \$301,869 with a net decrease of \$145,050. There was no debt repayment and no interest expensed during the year.

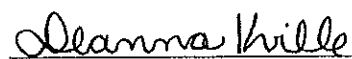
Economic Factors and Next Year's Budget

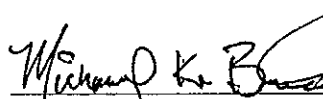
The District's budget for 2016-2017 increased. The state will continue to provide a large portion of the District's revenue with the funding formula continuing to be based on a per pupil payment. The value of mills will increase due to an increase in property valuation; each mill will provide more funding from a local level. The District will be continue to request a total of 72 mills.

On the expense side, the District will continue to see increased expenses due primarily to salary and benefit increases. We will continue to focus on providing needed curriculum enhancements such as textbooks and technology supplemental materials. The District plans to continue with building improvements as needed. These factors will enable the District to meet the needs of the District and remain in a financially stable condition.

Contacting The District's Management

This financial report is intended to provide a general overview of the May-Port CG School District's finances and to show the District's accountability for the money it receives. Please direct any further questions to the attention of the Business Manager at the May-Port CG School District, 900 Main Street West, Mayville, ND 58257-1000.


Deanna Kville, Business Manager
May-Port CG School District #14


Michael Bradner, Superintendent
May-Port CG School District #14

MAY-PORT CG SCHOOL DISTRICT #14
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 1,684,347	\$ 1,684,347
Investments	248,402	248,402
Property Tax Receivable, Current	136,769	136,769
Due From Federal Sources	-	-
Due From State Sources	31,275	31,275
Due From Other Sources	-	-
Prepaid Expenses	18,313	18,313
Property Tax Receivable, Non-Current	13,793	13,793
Capital Assets, Net	3,522,441	3,522,441
Total Assets	\$ 5,655,340	\$ 5,655,340
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	\$ 1,092,805	\$ 1,092,805
Total Deferred Outflows of Resources	\$ 1,092,805	\$ 1,092,805
LIABILITIES		
Accounts Payable	\$ 51,886	\$ 51,886
Accrued Liabilities	108,106	108,106
Interest Payable	-	-
Current Portion of Long-Term Liabilities	-	-
Long-Term Liabilities	-	-
Net Pension Liability	5,562,033	5,562,033
Total Liabilities	\$ 5,722,025	\$ 5,722,025
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	\$ -	\$ -
Pension Related Deferred Inflows	62,720	62,720
Total Deferred Inflows of Resources	\$ 62,720	62,720
NET POSITION		
Net Investment in Capital Assets	\$ 3,522,441	\$ 3,522,441
Restricted for Capital Projects	492,297	492,297
Unrestricted	(3,051,338)	(3,051,338)
Total Net Position	\$ 963,400	\$ 963,400

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

MAY-PORT CG SCHOOL DISTRICT #14
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Charges for Services		Grants and Contributions		Governmental Activities		Total
	Expense									
PRIMARY GOVERNMENT										
Instruction	\$ 3,175,651		\$ 85,091		\$ 3,851,484		\$ 760,924		\$ 760,924	
Special Education	273,863		96,351		-		(177,512)		(177,512)	
Guidance	127,545		-		-		(127,545)		(127,545)	
Vocational Education	183,384		-		20,121		(163,263)		(163,263)	
Instructional Administration	351,105		-		-		(351,105)		(351,105)	
Instructional Media Services	172,196		-		-		(172,196)		(172,196)	
Technology	159,983		-		-		(159,983)		(159,983)	
Food Services	359,110		151,011		130,141		(77,958)		(77,958)	
Nursing Services	28,091		-		-		(28,091)		(28,091)	
School Administration	473,910		-		-		(473,910)		(473,910)	
Plant Services	861,255		-		-		(861,255)		(861,255)	
Transportation	218,675		-		166,250		(52,425)		(52,425)	
Interest and Fiscal Charges on Long-Term Debt	-		-		-		-		-	
Total Primary Government	\$ 6,384,768		\$ 332,453		\$ 4,167,996		\$ (1,884,319)		\$ (1,884,319)	
General Revenues										
Property Taxes		\$ 1,701,096					\$ 1,701,096		\$ 1,701,096	
Interest and Investment Earnings		7,312					7,312		7,312	
Proceeds from Sale of Fixed Assets		-					-		-	
Other Revenues		13,870					13,870		13,870	
Total General Revenues		\$ 1,722,278					\$ 1,722,278		\$ 1,722,278	
Change in Net Position							\$ (162,041)		\$ (162,041)	
Beginning Net Position							1,125,441		1,125,441	
Ending Net Position							\$ 963,400		\$ 963,400	

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

**MAY-PORT CG SCHOOL DISTRICT #14
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016**

	General Fund	Hot Lunch Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and Cash Equivalents	\$ 1,072,119	\$ 95,379	\$ 472,345	\$ 44,504	\$ 1,684,347
Investments	244,052	-	-	4,350	248,402
Property Tax Receivable	130,610	-	19,952	-	150,562
Due From Federal Sources	-	-	-	-	-
Due From State Sources	31,275	-	-	-	31,275
Due From Other Sources	-	-	-	-	-
Prepaid Expenses	18,313	-	-	-	18,313
Total Assets	\$ 1,496,369	\$ 95,379	\$ 492,297	\$ 48,854	\$ 2,132,899
DEFERRED OUTFLOWS OF RESOURCES					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 1,496,369	\$ 95,379	\$ 492,297	\$ 48,854	\$ 2,132,899
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 49,603	\$ -	\$ 2,283	\$ -	\$ 51,886
Accrued Liabilities	108,106	-	-	-	108,106
Due to Other Sources	-	-	-	-	-
Notes Payable	-	-	-	-	-
Bond Payable	-	-	-	-	-
Total Liabilities	\$ 157,709	\$ -	\$ 2,283	\$ -	\$ 159,992
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Property Tax	70,578	-	10,932	-	81,510
Total Deferred Inflows of Resources	\$ 70,578	\$ -	\$ 10,932	\$ -	\$ 81,510
FUND BALANCES					
Nonspendable	\$ 18,313	\$ -	\$ -	\$ -	\$ 18,313
Restricted	-	-	-	48,854	48,854
Committed	-	-	479,082	-	479,082
Assigned	-	95,379	-	-	95,379
Unassigned	1,249,769	-	-	-	1,249,769
Total Fund Balances	\$ 1,268,082	\$ 95,379	\$ 479,082	\$ 48,854	\$ 1,891,397
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,496,369	\$ 95,379	\$ 492,297	\$ 48,854	\$ 2,132,899

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

**MAY-PORT CG SCHOOL DISTRICT #14
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Fund Balances - Governmental Funds \$ 1,891,397

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 in the governmental funds

Governmental capital asset	\$ 7,747,044	
Less accumulated depreciation	<u>(4,224,603)</u>	3,522,441

Property taxes not received within 60 days after the year end are not a current resource and therefore are not included in governmental funds		81,510
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Net pension liability is not due and payable in the current period and, therefore, is not included in governmental funds		(5,562,033)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not included in governmental funds

Deferred inflows of resources related to pensions (from pension schedule)		(62,720)
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Deferred outflows of resources related to pension of \$1,092,805 = \$742,469 deferred outflows of resources related to pension expense (from pension schedule) and \$350,336 deferred outflow of 2016 employer contributions related to pensions		<u>1,092,805</u>
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Net Position of Governmental Activities		<u><u>\$ 963,400</u></u>
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**MAY-POR CG SCHOOL DISTRICT #14
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Hot Lunch Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Sources	\$ 1,472,442	\$ -	\$ 216,449	\$ -	\$ 1,688,891
State Sources	3,862,736	3,974	-	-	3,866,710
Federal Sources	160,737	126,167	-	-	286,904
Fees and Other Non-Tax Revenues	188,279	151,011	-	16,388	355,678
Other	10,778	449	557	555	12,339
Total Revenues	\$ 5,694,972	\$ 281,601	\$ 217,006	\$ 16,943	\$ 6,210,522

	\$	\$	\$	\$	\$
EXPENDITURES					
Current					
Instruction	3,117,323	-	-	18,258	3,135,581
Special Education	273,863	-	-	-	273,863
Guidance	127,545	-	-	-	127,545
Vocational Education	183,384	-	-	-	183,384
Instructional Administration	351,105	-	-	-	351,105
Instructional Media Services	171,286	-	-	-	171,286
Technology	138,782	-	-	-	138,782
Food Services	93,871	261,424	-	-	355,295
Nursing Services	28,091	-	-	-	28,091
School Administration	473,910	-	-	-	473,910
Plant Services	569,268	-	76,272	-	645,540
Transportation	166,284	-	-	-	166,284
Debt Service	-	-	-	-	-
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Buildings and Equipment	25,895	-	130,924	-	156,819
Total Expenditures	\$ 5,720,607	\$ 261,424	\$ 207,196	\$ 18,258	\$ 6,207,485

Excess (Deficiency) of Revenues	\$ (25,635)	\$ 20,177	\$ 9,810	\$ (1,315)	\$ 3,037
Over Expenditures					

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

MAY-PORt CG SCHOOL DISTRICT #14
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Hot Lunch Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer To Other Funds	-	-	-	-	-
Proceeds From Sale of Fixed Assets	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ (25,635)	\$ 20,177	\$ 9,810	\$ (1,315)	\$ 3,037
Beginning Fund Balance	<u>1,293,717</u>	<u>75,202</u>	<u>469,272</u>	<u>50,169</u>	<u>1,888,360</u>
Ending Fund Balance	<u>\$ 1,268,082</u>	<u>\$ 95,379</u>	<u>\$ 479,082</u>	<u>\$ 48,854</u>	<u>\$ 1,891,397</u>

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

**MAY-PORT CG SCHOOL DISTRICT #14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Governmental Funds \$ 3,037

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives

Expenditures for capital assets	\$ 156,819	
Less current year depreciation	<u>(301,869)</u>	(145,050)

Property taxes not received within 60 days after the year end are not a current resource and therefore are not included in governmental funds, but all unpaid property taxes are in the statement of activities		12,205
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Governmental funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is included as pension expense

District pension contributions	350,336	
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	<u>(382,569)</u>	<u>(32,233)</u>

Change in Net Position of Governmental Activities \$ (162,041)

MAY-PORT CG SCHOOL DISTRICT #14
STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and Short-Term Investments	<u>\$ 142,080</u>
Total Assets	<u><u>\$ 142,080</u></u>
LIABILITIES	
Accounts Payable	<u>\$ 142,080</u>
Total Liabilities	<u><u>\$ 142,080</u></u>

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the May-Port CG School District #14 (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The more significant of the District's accounting policies are described below.

Reporting Entity

The District is a multi-county educational district governed by an elected board. As required by GAAP, these financial statements present the District (the primary government). There were no component units as determined by financial accountability or by the nature and significance of relationships.

Financial accountability includes the ability of the primary government to appoint a voting majority to the District's governing board, and is either able to impose its will on the District or there is potential for the District to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Basis of Presentation - Government-Wide and Fund Financial Statements

The District's basic financial statements consist of government-wide financial statements (which consist of a statement of net position and a statement of activities) and fund financial statements (which provide a more detailed level of financial information).

The **government-wide financial statements** include the statement of net position and the statement of activities. These statements report financial information for the District as a whole. The effect of interfund activity has been removed from these financial statements. Individual funds are not displayed but the statements distinguish governmental activities, normally supported by taxes, grants and the District's general revenues, from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial position of the governmental activities of the District and its discretely presented component units, if any, at year end.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with distinct functional activity.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - Government-Wide and Fund Financial Statements - continued

Program revenues include (1) charges for services which report fees and other charges to users of the District's services; (2) operating grants and contributions that finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is which function the revenues are restricted.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenue of the District.

Fund financial statements are designed to present financial information of the District at a more detailed level. During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are provided for governmental funds and proprietary funds.

Major individual governmental funds and enterprise funds are reported in separate columns.

The District uses funds to maintain its financial records during the year. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental.

Governmental Funds

Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The District reports the difference between governmental fund assets and liabilities as fund balance.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - Government-Wide and Fund Financial Statements - continued

The following are the District's major governmental funds:

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Hot Lunch Fund – The District chooses to treat the Hot Lunch Fund as a major governmental fund. It is used by the District to account for the revenues and expenditures relating to providing breakfast and lunch to its students.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources for the acquisition and maintenance of capital facilities by the District.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise funds and internal service funds. The District had no proprietary funds during the year.

Measurement Focus

The **government-wide financial statements** are reported using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of activities reports revenues and expenses.

In the **fund financial statements**, all governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on this balance sheet. The statement of revenues, expenditures and changes in fund balance reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

Revenue resulting from **exchange transactions**, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, the phrase "available" means expected to be received within 60 days of year end.

Revenue resulting from **non-exchange transactions**, in which the District receives value without directly giving equal value in return, includes property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: interest and federal and state grants.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, which use the modified basis of accrual, revenues not received within 60 days have been reported as deferred revenue because they are measurable but not available. Grants and entitlements received before the eligibility requirements are met (cash advances) are recorded as deferred revenue.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting - continued

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Budgets

The District is required by North Dakota state statutes to adopt its final budget for the General Fund by August 15 and to be filed with the county auditor by August 25. Budgets may be amended during the year, except no amendment changing the taxes levied can be made after October 10. The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP. All budget appropriations lapse at year-end.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year.

Cash and Cash Equivalents

Cash and Cash Equivalents include all highly liquid investments with an original maturity of less than three months.

Investments

Investments, if any, are stated at cost or amortized cost, subject to adjustment for market declines judged to be other than temporary (lower of cost or market).

Inventories

Inventories consist of food commodities, which are valued at cost. Cost approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased or awarded.

Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in governmental funds. The District reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the District fund financial statements.

All capital assets are capitalized at historical cost, or estimated historical cost if historical cost is not available, and updated for additions and retirements during the year. Donated capital assets are valued at their estimated fair market value on the date received.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

The District maintains the following capitalization thresholds:

Major Buildings and Site Improvements	\$ 10,000
Buildings and Additions	\$ 20,000
Sports Complex Building	\$ 10,000
Track	\$ 10,000
Equipment	\$ 5,000
Technology Equipment	\$ 5,000
Buses	\$ 5,000
Vehicles	\$ 5,000

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

All reported capital assets are depreciated except for sites and construction in progress. Depreciation is computed using the straight-line method over the following useful lives:

Major Buildings and Site Improvements	20 years
Buildings and Additions	50 years
Sports Complex Building	25 years
Track	10 years
Equipment	7 years
Technology Equipment	5 years
Buses	10 years
Vehicles	5 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of this item, which arises only under the full accrual of accounting, that qualifies for reporting in this category. Pension related deferred outflows of resources are reported only in the statement of net position.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Outflows/Inflows of Resources - continued

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of this item that qualify for reporting in this category: one which arises only under a modified accrual basis of accounting and one type which arises only under full accrual basis of accounting. Deferred revenue is reported only in the governmental funds balance sheet. The governmental fund reports deferred 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. Pension related deferred inflows of resources are reported only in the statement of net position. These amounts are recognized as an inflow of resources in the period that the amount become available.

Accrued Liabilities and Long-Term Debt

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide fund type statement of activities, bond premiums, discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure. During the year, the District had no bond premiums, discounts or issuance costs.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Generally, **fund balance** represents the difference between the current assets and current liabilities. As per GASB Statement No. 54, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following classifications are used by the District:

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Equity - continued

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance classification includes amounts where constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of a simple majority of the School Board, the District's highest level of decision-making authority.

Assigned Fund Balance

The assigned fund balance classification includes amounts that are constrained by the School Board's *intent* to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for the general fund representing the fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available, and committed and assigned fund balances first when both these and unassigned fund balances are available.

**MAY-PORT CG SCHOOL DISTRICT #14
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pensions

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

Custodial credit risk is the risk that, in event of a bank failure, the District's deposits might not be recovered. The District has two authorized depository for its deposits and investments. The District follows North Dakota state statutes which authorize the District to make deposits in the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the District to invest in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the State, d) Obligations of the State. As of June 30, 2016, \$1,534,620 of the District's bank balances of \$2,034,620 were exposed to custodial credit risk as follows:

Uninsured and collateralized with letters of credit held by the pledging financial institution	\$ -
Uninsured and collateralized with securities held by the pledging financial institution	\$ 1,534,620

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

3. PROPERTY TAXES

Property taxes are levied July 31 of each year on property values assessed by the previous February. Taxes paid by February 15 of the following year receive a discount of 5%. Regular payment dates are March 1 and October 15. A tax lien becomes enforceable on unpaid taxes the following January.

The District records taxes receivable at net realizable value. The District considers all taxes receivable to be collectible as of June 30. The District's policy is to record the net taxes receivable as an asset, with a deferred revenue account to recognize taxes not expected to be available within 60 days. At June 30, 2016, the aging of taxes receivable is as follows:

	Traill County	Steele County	Cass County	Total
0 - 60 days	\$ 57,741	\$ 10,197	\$ 1,114	\$ 69,052
2015	47,308	18,488	1,921	67,717
2014	11,080	1,483	125	12,688
2013 & Prior	1,105	-	-	1,105
Totals	\$ 117,234	\$ 30,168	\$ 3,160	\$ 150,562

4. DUE FROM STATE AND FEDERAL SOURCES

Following are funds received after June 30, 2016 for assistance relating to the year then ended:

	State	Federal
Title I - Grants to LEA's	\$ -	\$ -
Small Rural School Achievement	-	-
National School Lunch	-	-
National Breakfast	-	-
Vocational Education	20,121	-
School Safety	11,154	-
Totals	\$ 31,275	\$ -

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

5. CHANGE IN PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Deletions	Ending Balance
Sites	\$ 424,925	\$ -	\$ -	\$ 424,925
Sports Complex	769,312	-	-	769,312
Buildings/Additions	4,799,975	130,924	-	4,930,899
Equipment	810,570	25,895	-	836,465
Buses and Vehicles	785,443	-	-	785,443
Less: Accumulated Depreciation	<u>(3,922,734)</u>	<u>(301,869)</u>	<u>-</u>	<u>(4,224,603)</u>
	<u>\$ 3,667,491</u>	<u>\$ (145,050)</u>	<u>\$ -</u>	<u>\$ 3,522,441</u>

Government Activities Depreciation Expense

Instruction	\$ 7,837
Instructional Media Services	910
Technology	21,201
Food Service	3,815
Plant Services	215,715
Transportation	<u>52,391</u>
	<u>\$ 301,869</u>

6. COMPENSATED ABSENCES

As per GASB Statement No. 16 - Accounting for Compensated Absences, probable payments for vested vacation leave, plus associated payroll expenses, have been accrued at the end of each year. The District also provides benefits for sick leave. However, there is no provision for termination payments of accrued sick leave. As per GASB Statement No. 16, no accrual of accumulated sick leave benefits has been provided.

7. PENSION PLAN

North Dakota Teachers' Fund for Retirement

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

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

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. PENSION PLAN - continued

North Dakota Teachers' Fund for Retirement - continued

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, 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.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. PENSION PLAN - continued

Pension Benefits - continued

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.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. PENSION PLAN - continued

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis. The District has agreed to pay 6.25% of the member assessments in lieu of a salary increase.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 1/2. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2016, the District reported a liability of \$5,562,033 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 portion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015 the District's proportion was 0.425279 percent, which was an increase of .008205 percent from its proportion measured as of June 30, 2014 (one year prior to date above).

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. PENSION PLAN - continued

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

For the year ended June 30, 2016, the District recognized pension expense of \$382,569. 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 experience	\$ 36,448	\$ -
Changes of assumptions	624,521	-
Net difference between projected and actual earnings on pension plan investments	-	62,720
Changes in proportion and differences between employer contributions and proportionate share of contributions	81,500	-
Employer contributions subsequent to the measurement date	350,336	-
Total	\$ 1,092,805	\$ 62,720

\$350,336 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 ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 77,371
2017	77,371
2018	77,371
2019	203,929
2020	124,691
Thereafter	119,016
	\$ 679,749

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. PENSION PLAN - continued

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

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 date 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 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% 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 weighing 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:

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. PENSION PLAN - continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57%	7.50%
Global Fixed Income	22%	1.30%
Global Real Assets	20%	5.40%
Cash Equivalents	1%	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 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 investment 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 8.00% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$ 7,350,490	\$ 5,562,033	\$ 4,070,498

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

7. PENSION PLAN - continued

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

Pension Plan Fiduciary Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

Non-Certified Employees

The District contributes to a tax deferred annuity plan for the purpose of purchasing annuity contracts for its employees pursuant to section 403(b) of the Internal Revenue Code of 1986, as amended, which is a defined contribution plan.

A defined contribution plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, and the returns earned on investments on those contributions. All full-time non-certified employees are eligible to participate in the plan from the day they are hired. Contributions vest immediately. Each employee must contribute at least 2% of his or her base salary to receive an employer contribution of 3% of his or her base salary.

During the year the District's required and actual matching contributions amounted to \$15,116 which was 3% of the covered payroll of \$503,863. The employees' elected contributions amounted to \$40,334. During the year, \$55,450 was actually paid into the Plan.

No provision changes occurred during the year that affected the required contributions to be made by the District or its employees.

The plan held no securities of the District or other related parties during the year.

8. INTERFUND OPERATING TRANSFERS

There were no operating transfers for the year ended June 30, 2016.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

9. COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

10. RISK MANAGEMENT

The District is exposed to various risks including, but not limited to, losses from worker's compensation, employee health insurance, public liability, and general property and casualty. The District has contracted with third party insurance carriers for specific and aggregate stop loss coverage to limit the District's exposure to losses as follows:

Educators Professional Liability	\$ 1,000,000	per occurrence and aggregate
General Liability	\$ 2,000,000	aggregate limit
Products/Completed Operations	\$ 2,000,000	aggregate limit
Personal/Advertising Injury	\$ 1,000,000	per occurrence and aggregate
Fire Damage	\$ 300,000	per occurrence
Medical Expense	\$ 5,000	per person
Personal Property	\$ 650,440	or 90% replacement cost (\$500 - \$1,000 deductible)
Hired Autos	\$ 1,000,000	aggregate limit
Uninsured and Underinsured	\$ 1,000,000	aggregate limit
Crime	\$ 32,000	inside, \$32,000 outside
Umbrella	\$ 3,000,000	per occurrence and aggregate \$10,000 retained limit
Directors and Officers	\$ 1,000,000	each loss (\$1,000 deductible)
Vehicles		actual cash value or repair cost, \$250 deductible
Employee Dishonesty	\$ 16,000	aggregate (\$1,000 deductible)
Buildings and Contents	\$19,550,643	combined totals (limits for each location)
Workers Compensation		based on rate schedule subject to \$1,000 deductible
Health Insurance		various plans available through BCBS

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

10. RISK MANAGEMENT - continued

There was a no reduction in insurance coverage from the prior year. At no time during the years ended June 30, 2016, 2015, and 2014 did settlements exceed insurance coverage.

11. FEDERAL AWARDS

Following is a schedule of significant federal awards received during the year:

Grant Name	Grant Award	Amount Received	Amount Expended
Title I Grants to LEA's (84.010)	\$ 96,424	\$ 92,926	\$ 92,926
Fresh Fruits and Vegetables (10.582)	11,500	11,480	11,480
Food Distribution (10.550)	25,000	24,057	24,057
National School Lunch (10.553 and 10.555)	92,000	98,173	90,630
Carl Perkins (84.048)	8,700	19,509	7,901
REAP - Small Rural School Achievement (84.358A)	7,638	7,638	7,638
REAP (84.367)	52,272	52,272	52,272
Totals	<u>\$ 293,534</u>	<u>\$ 306,055</u>	<u>\$ 286,904</u>
Beginning Receivable		(19,151)	
Ending Receivable		<u>-</u>	
Revenues From Federal Awards		<u>\$ 286,904</u>	

MAY-PORT CG SCHOOL DISTRICT #14
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Beginning Fund Balance	\$ 1,293,717	\$ 1,293,717	\$ 1,293,717	\$ -
Resources (Inflows)				
Local Sources	\$ 1,503,884	\$ 1,503,884	\$ 1,472,442	\$ (31,442)
State Sources	3,879,093	3,879,093	3,862,736	(16,357)
Federal Sources	158,709	165,034	160,737	(4,297)
Fees and Other Non-Tax Revenues	180,500	180,500	188,279	7,779
Other	25,000	25,000	10,778	(14,222)
Amounts Available for Apportionment	\$ 7,040,903	\$ 7,047,228	\$ 6,988,689	\$ (58,539)
Charges to Appropriations (Outflows)				
Current				
Instruction	\$ 3,220,172	\$ 3,226,497	\$ 3,117,323	\$ 109,174
Special Education	273,864	273,864	273,863	1
Guidance	152,385	152,385	127,545	24,840
Vocational Education	183,431	183,431	183,384	47
Instructional Administration	358,859	358,859	351,105	7,754
Instructional Media Services	178,773	178,773	171,286	7,487
Technology	164,858	164,858	138,782	26,076
Food Services	95,673	95,673	93,871	1,802
Nursing Services	29,650	29,650	28,091	1,559
School Administration	458,094	458,094	473,910	(15,816)
Plant Services	646,821	646,821	569,268	77,553
Transportation	209,700	209,700	166,284	43,416
Capital Outlay				
Buildings and Equipment	111,000	111,000	25,895	85,105
Total Charges to Appropriation	\$ 6,083,280	\$ 6,089,605	\$ 5,720,607	\$ 368,998

The accompanying notes to the required supplementary information are an integral part of this schedule.

MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ -	\$ -	\$ -	\$ -
Transfers To Other Funds	-	-	-	-
Proceeds From Sale of Fixed Assets	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ 957,623	\$ 957,623	\$ 1,268,082	\$ 310,459

The accompanying notes to the required supplementary information are an integral part of this schedule.

**MAY-PORT CG SCHOOL DISTRICT #14
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 ND TEACHERS' FUND FOR RETIREMENT
 LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.425279%	0.417074%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,562,033	\$ 4,370,196
Employer's Covered-Employee Payroll	\$ 2,615,913	\$ 2,419,251
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	212.62%	180.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.10%	66.60%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

Note: Amounts presented for each fiscal year have a measurement date of the previous fiscal year.

**MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ND TEACHERS' FUND FOR RETIREMENT
LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Statutorily Required Contribution	\$ 333,513	\$ 260,067
Contributions in Relation to the Statutorily Required Contribution	\$ (333,513)	\$ (260,067)
Contribution Deficiency (Excess)	\$ -	\$ -
Employer's Covered-Employee Payroll	\$ 2,615,913	\$ 2,419,251
Contributions as a Percentage of Covered- Employee Payroll	12.75%	10.75%

Note: GASB Statement No. 68 requires ten years of information to be represented in this table. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

Note: Amounts presented for each fiscal year have a measurement date of the previous fiscal year.

**MAY-PORT CG SCHOOL DISTRICT #14
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016**

1. BUDGETS

The District is required by North Dakota state statutes to adopt its final annual budget for the General Fund by August 15 and to be filed with the county auditor by August 25. Budgets may be amended during the year, except no amendment changing the taxes levied can be made after October 10. The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP. All budget appropriations lapse at year-end.

Budgets are adopted for the General Fund on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Expenditures are controlled at the object level for the budget.

2. EXPENDITURES EXCEED APPROPRIATIONS

During the year ended June 30, 2016, expenditures exceeded appropriations in the following Funds:

<u>Fund</u>	<u>Amount</u>	<u>Explanation</u>
General Fund:		
School Administration	15,816	Caused by unbudgeted fees
General Fund Total	\$ 15,816	

3. CHANGES OF ASSUMPTIONS

Amounts reported in 2016 on the schedule of employer's share of net pension liability and schedule of employer contributions reflect the following actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% 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.

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 School Board
May-Port CG School District #14
900 Main Street West
Mayville, 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 **May-Port CG School District #14** as of and for the year ended **June 30, 2016**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **May-Port CG School District #14'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **May-Port CG School District #14's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **May-Port CG School District #14'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 a certain deficiency in internal control, referenced in the accompanying schedule of findings and questioned costs as 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

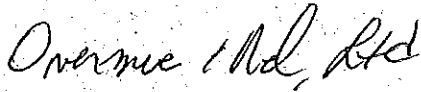
As part of obtaining reasonable assurance about whether the **May-Port CG School District #14's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

May-Port CG School District #14's Response to Findings

The May-Port CG School District #14's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. The May-Port CG School District #14's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



OVERMOE & NELSON, LTD
Certified Public Accountants
Grand Forks, North Dakota

November 14, 2016

**MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
Material Weaknesses Identified	No
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	Yes
Noncompliance Material to Financial Statements Noted	No

Section II - Financial Statement Findings

Reference 2016-001 (A Significant Deficiency)

Criteria

An adequate internal control maintains proper segregation of duties.

Condition

The **May-Port CG School District #14** has one accountant responsible for most accounting functions. The accountant collects monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Questioned Costs

None

Context

This condition existed for the entire year.

Effect

The accountant performed duties that included executing and recording transactions.

Cause

It would not be reasonable nor cost effective to hire additional staff to maintain an internal control with complete segregation of duties.

Recommendation

Due to the size of the staff, it is not feasible to obtain proper segregation of duties and no recommendation will be made.

Client Response

No response is considered necessary.