

SHEYENNE VALLEY AREA CAREER &
TECHNOLOGY CENTER
VALLEY CITY, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER

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SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER
LIST OF OFFICIALS
JUNE 30, 2016

BOARD OF DIRECTORS

	<u>OFFICE</u>	<u>School</u>
Mike Schwehr	Vice-president	Barnes County North
Cathy Janish		Maple Valley
Rich Schueneman		Valley City
Val Moritz	President	Valley City

ADMINISTRATION

Jeff Bopp	Director
Mindy Smith	Business Manager

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

Governing Board
Sheyenne Valley Area Career & Technology Center
Valley City, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and aggregate remaining fund information of Sheyenne Valley Area Career & Technology Center 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheyenne Valley Area Career & Technology Center as of June 30, 2016, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated August 30, 2016, on my considerations of the District's internal control over financial reporting and on my 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 my 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.



West Fargo, North Dakota
August 30, 2016

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2016

Governmental
Activities

ASSETS

Cash and investments

535,981.05

Capital assets (net of accumulated depreciation)

6,202.00

Total Assets

542,183.05

LIABILITIES

NET POSITION

Net investment in capital assets

6,202.00

Unrestricted

535,981.05

Total net position

542,183.05

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
 STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2016

	Expenses	Charges for Services	Program Revenues Operating grants and Contributions	Net (expense) Revenue & Change in Net Position Governmental Activities
Guidance	254,677.14	166,711.24	91,875.45	3,909.55
Health	101,097.30		67,228.17	(33,869.13)
Equipment	7,156.08			(7,156.08)
Technology	65,246.15		48,934.86	(16,311.29)
Technology coordinator				-
Construction	85,733.59	34,287.00	40,294.93	(11,151.66)
Automotive	82,950.59		32,350.71	(50,599.88)
Graphic	50,952.57		30,062.03	(20,890.54)
Welding	81,384.65		34,995.40	(46,389.25)
Career resource educator	82,473.42	40,952.00		(41,521.42)
High tech	84,920.93	30,000.00	47,643.70	(7,277.23)
Repairs and maintenance	1,968.95	4,340.28		2,371.33
ITV	3,000.00			(3,000.00)
Governing board	53,245.29			(53,245.29)
Carl Perkins	42,263.00		42,263.00	-
Administration	145,593.05		139,929.74	(5,663.31)
Plant	156,636.76			(156,636.76)
Vehicle	1,450.83	2,000.00		549.17
Adult Education	120,339.46		120,339.46	-
Construction house	9,693.59	10,503.70		810.11
Total Governmental Activities	1,430,783.35	288,794.22	695,917.45	(446,071.68)
General revenues				
Assessments				356,590.00
Admin fees				16,267.97
ITV fees				60,195.08
Other state aid				82,109.50
Interest income and other revenue				23,212.20
Total General Revenues				538,374.75
Change in Net Position				92,303.07
Net Position- July 1				449,879.98
Net Position- June 30				542,183.05

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
 BALANCE SHEET- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
 JUNE 30, 2016

	GENERAL	OTHER	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and investments	352,298.23	183,682.82	535,981.05
Total Assets	352,298.23	183,682.82	535,981.05
 LIABILITIES			
Total liabilities	-	-	-
 FUND BALANCE			
 			-
Restricted for other purpose		183,682.82	183,682.82
Unassigned	352,298.23	-	352,298.23
Total fund balance	352,298.23	183,682.82	535,981.05
Total liabilities and fund balance	352,298.23	183,682.82	535,981.05

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

Total Fund Balances for Governmental Funds	535,981.05
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	15,505.00	
Less accumulated depreciation	9,303.00	
Net capital assets		6,202.00

Total Net Position of Governmental Activities	542,183.05
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The accompanying notes are an integral part of these financial statements.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	GENERAL	OTHER	TOTAL GOVERNMENTA FUNDS
Assessments	356,590.00	30,000.00	386,590.00
Other local sources	343,625.49	14,843.98	358,469.47
State sources	485,671.29	47,643.70	533,314.99
Federal sources	244,711.96		244,711.96
Total Revenues	1,430,598.74	92,487.68	1,523,086.42
Current:			
Instruction			
Regular programs	534,928.03		534,928.03
Technology	65,246.15		65,246.15
Career Development	254,677.14		254,677.14
High Technology		84,920.93	84,920.93
Construction house		9,693.59	9,693.59
Support Services			-
Administrative	198,838.34		198,838.34
Operation & maintenance	157,069.76	1,968.95	159,038.71
Adult education	120,339.46		120,339.46
Total Expenditures	1,331,098.88	96,583.47	1,427,682.35
Excess revenues (expenditures)	99,499.86	(4,095.79)	95,404.07
Other Financing Sources (Uses):			
Transfers in			-
Transfers out			-
Total other financing sources and uses	-	-	-
Net change in fund balances	99,499.86	(4,095.79)	95,404.07
Fund balance- beginning	252,798.37	187,778.61	440,576.98
Fund balance- ending	352,298.23	183,682.82	535,981.05

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances- Total Governmental Funds 95,404.07

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current year capital outlay	-	
Current year depreciation expense	3,101.00	(3,101.00)

Change in Net Position of Governmental Activities 92,303.07

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2016

	AGENCY FUNDS
ASSETS	
Cash and investments	51,736.03
Total Assets	51,736.03
LIABILITIES	
Due to Student Groups	51,736.03
Total liabilities	51,736.03

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
NAPOLEON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER (Center) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Center. The Center has considered all potential component units for which the Center is financially accountable and other organizations for which the nature and significance of their relationships with the Center such that exclusion would cause the Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Center to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Center.

Based on these criteria, there are no component units to be included within the Center as a reporting entity.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the Center. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Center's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Center's funds including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Center reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the Center and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds

The Center reports the other following fund types:

Agency Funds. These funds account for assets by the Center in a custodial capacity as an agent on behalf of others. The Center's agency fund is used to account for various deposits of the student activity funds.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

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

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Center utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

Under the terms of grant agreements, the Center funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Center's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Budgets

Based upon available financial information and requests by the board, the Director and business manager prepares the Center budget. The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Center is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Temporary or Wood Structures	20
Vehicles	10
Equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

H. Fund Balance

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

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

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

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

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

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

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

The school board has not set a General Fund minimum fund balance.

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the Center requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board did not amend the Center budget for the year.

EXPENDITURES OVER APPROPRIATIONS

The school Center did not overspend the budget for any individual funds. No remedial action is required by the Center.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the Center maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, instrumentalities, or by any Center, Center, township, school Center, park Center, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.

At June 30, 2016, the Center's carrying amount of deposits was \$348,480. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$98,480 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the Center to invest in:(1) 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.(2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

Concentration of Credit Risk

The Center does not have a limit on the amount it may invest in any one issuer.

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, being depreciated				
Vehicles & Equipment	15,505			15,505
Less accumulated depreciation for:				
Vehicles & Equip	6,202	3,101		9,303
Governmental Activities Capital Assets, Net	9,303			6,202

Depreciation Expense was charged to functions/programs of the Center as follows:

Governmental Activities:	
Operation and maintenance	3,101

NOTE 5: PENSION PLANS

General Information about the Pension Plan

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.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- 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, 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.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

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 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 50 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 65, 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.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- Continued

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. 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 Expense Related to Pensions

For the year ended June 30, 2016, the Employer recognized pension expense of \$1,153,506.

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER
Notes to Financial Statements- 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	3.00%
Salary increases	4.50% to 14.75%, varying by
service,	including inflation and
productivity	
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for TFFR.

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	57%	7.53%
Global Fixed Income	22%	1.40%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JUNE 30, 2016

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER

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Harold J. Rotunda

Certified Public Accountant

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*

Independent Auditor's Report

School Board
Sheyenne Valley Area Career & Technology Center
Valley City, North Dakota

I 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 Sheyenne Valley Area Career & Technology Center as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated August 30, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Sheyenne Valley Area Career & Technology Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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.

My 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 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2016-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sheyenne Valley Area Career & Technology Center's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

District's Response to Findings

Sheyenne Valley Area Career & Technology Center's response to the finding identified in my audit is described in the accompanying schedule of findings. Sheyenne Valley Area Career & Technology Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Harold Rotunda, CPA
August 30, 2016

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified not Considered to be material weaknesses	<u> X </u>	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	<u> X </u>	No

Section II- Financial Statement Findings

Finding No. 2016-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

While I recognize that the District office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the District.

Client Response

At the present time, the District has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.