

**OFFICE OF  
STATE AUDITOR**

**AUDIT REPORT**

**NORTHERN CASS  
PUBLIC SCHOOL DISTRICT #97  
HUNTER, NORTH DAKOTA**

**FOR THE YEARS ENDED  
JUNE 30, 2011  
JUNE 30, 2010**



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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter , North Dakota

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For the Years Ended June 30, 2011 and 2010

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

**SCHOOL OFFICIALS**

June 30, 2011

Audie Brorson	President
Char Pueppke	Vice-President
Jody Bohn	Board Member
Joel Degerness	Board Member
Bart Marvel	Board Member
Susie McDonald	Board Member
Lance Nelson	Board Member
Allen Burgad	Superintendent
Julie Keckler	Business Manager

June 30, 2010

Doug Rensvold	President
Char Pueppke	Vice-President
Audie Brorson	Board Member
Dale Lako	Board Member
Bart Marvel	Board Member
Susie McDonald	Board Member
Randy Moen	Board Member
Allen Burgad	Superintendent
Julie Keckler	Business Manager

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
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Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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**INDEPENDENT AUDITOR'S REPORT**

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School Board  
Northern Cass Public School District No.97  
Hunter, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northern Cass Public School District No.97, Hunter, North Dakota, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Northern Cass Public School District No. 97's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Northern Cass Public School District No. 97, Hunter, North Dakota, as of June 30, 2011 and 2010, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, on our consideration of the Northern Cass Public School District No. 97's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Northern Cass Public School District No. 97, Hunter, North Dakota, has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97**

Independent Auditor's Report - Continued

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Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Northern Cass Public School District No. 97's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Robert R. Peterson  
State Auditor

March 26, 2012

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

STATEMENT OF NET ASSETS  
June 30, 2011

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	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	\$ 1,595,865
Accounts Receivable	76,727
Taxes Receivable	124,147
Capital Assets (net of accumulated depreciation):	
Land	80,000
Buildings	6,213,913
Site Improvements	415,274
Vehicles	393,367
Equipment	297,424
CIP	<u>2,351,416</u>
Total Capital Assets	<u>\$ 9,751,394</u>
Total Assets	<u>\$ 11,548,133</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 106,819
Benefits Payable	8,121
Interest Payable	22,645
Long-Term Liabilities	
Due Within One Year:	
General Obligation Bonds Payable	365,000
State School Construction Loan	132,948
Revenue Bonds Payable	135,000
Capital Lease Payable	6,192
Early Retirement Payable	11,500
Due After One Year:	
General Obligation Bonds Payable	2,110,000
State School Construction Loan	859,612
Revenue Bonds Payable	1,890,000
Capital Lease Payable	13,186
Early Retirement Payable	<u>34,500</u>
Total Liabilities	<u>\$ 5,695,523</u>
<u>NET ASSETS:</u>	
Invested in Capital Assets, net of related debt	\$ 4,239,456
Restricted for:	
Special Purposes	6,493
Debt Service	316,690
Capital Projects	50,739
Unrestricted	<u>1,239,232</u>
Total Net Assets	<u>\$ 5,852,610</u>

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<u>Governmental Activities:</u>				
Regular Instruction	\$ 2,376,665	\$ -	\$ -	\$ (2,376,665)
Special Education	163,320	-	-	(163,320)
Vocational Education	87,127	-	-	(87,127)
Federal Programs	145,124	-	335,823	190,699
District Wide Services	254,536	-	-	(254,536)
Administration	473,110	-	-	(473,110)
School Food Services	274,539	180,353	2,884	(91,302)
Operations and Maintenance	548,930	-	-	(548,930)
Transportation	321,727	-	339,565	17,838
Co-Curricular Activities	226,839	-	-	(226,839)
Business Education	14,526	-	-	(14,526)
Capital Outlay	5,570	-	-	(5,570)
Other Programs & Services	15,197	-	-	(15,197)
Interest & Service Charges	195,899	-	-	(195,899)
<b>Total Governmental Activities</b>	<b>\$ 5,103,109</b>	<b>\$ 180,353</b>	<b>\$ 678,272</b>	<b>\$ (4,244,484)</b>
<u>General Revenues:</u>				
Property taxes; levied for general purposes				\$ 1,639,042
Property taxes; levied for debt service				481,990
State Aid-Unrestricted				2,977,993
Interest Earnings				5,858
Miscellaneous Revenue				100,000
<b>Total General Revenues</b>				<b>\$ 5,204,883</b>
<b>Changes in Net Assets</b>				<b>\$ 960,399</b>
<b>Net Assets - July 1</b>				<b>\$ 4,892,211</b>
<b>Net Assets - June 30</b>				<b>\$ 5,852,610</b>

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2011

	General	Interest and Sinking Fund	Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,229,155	\$ 286,833	\$ 79,877	\$ 1,595,865
Accounts Receivable	76,727	-	-	76,727
Taxes Receivable	94,290	29,857	-	124,147
<b>Total Assets</b>	<b>\$ 1,400,172</b>	<b>\$ 316,690</b>	<b>\$ 79,877</b>	<b>\$ 1,796,739</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 106,819	\$ -	\$ -	\$ 106,819
Benefits Payable	8,121	-	-	8,121
Deferred Revenue	94,290	29,857	-	124,147
<b>Total Liabilities</b>	<b>\$ 209,230</b>	<b>\$ 29,857</b>	<b>\$ -</b>	<b>\$ 239,087</b>
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Debt Service	\$ -	\$ 286,833	\$ 22,012	\$ 308,845
Building Fund	-	-	51,372	51,372
<u>Committed to:</u>				
Food Service	-	-	6,493	6,493
<u>Unassigned:</u>	1,190,942	-	-	1,190,942
<b>Total Fund Balances</b>	<b>\$ 1,190,942</b>	<b>\$ 286,833</b>	<b>\$ 79,877</b>	<b>\$ 1,557,652</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,400,172</b>	<b>\$ 316,690</b>	<b>\$ 79,877</b>	<b>\$ 1,796,739</b>

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

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011

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Total *Fund Balances* for Governmental Funds \$ 1,557,652

Total *net assets* reported for governmental activities in the statement of net assets is different because:

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

Cost of Capital Assets	\$ 12,587,517	
Less Accumulated Depreciation	<u>(2,836,123)</u>	
Net Capital Assets		9,751,394

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.

124,147

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net assets. Balances at June 30, 2011 are:

General Obligation Bonds Payable	\$ (2,475,000)	
State School Construction Loan Payable	(992,560)	
Revenue Bonds Payable	(2,025,000)	
Capital Lease Payable	(19,378)	
Interest Payable	(22,645)	
Early Retirement Payable	<u>(46,000)</u>	
Total Long-Term Liabilities		<u>(5,580,583)</u>

Total Net Assets of Governmental Activities

\$ 5,852,610

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

	General	Interest and Sinking Fund	Non-Major Funds	Total Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 1,546,050	\$ 486,387	\$ 292,354	\$ 2,324,791
State Sources	3,311,769	-	2,884	3,314,653
Federal Sources	261,670	-	74,153	335,823
Other Sources	-	-	100,000	100,000
Interest Income	3,785	1,920	153	5,858
Total Revenues	<u>\$ 5,123,274</u>	<u>\$ 488,307</u>	<u>\$ 469,544</u>	<u>\$ 6,081,125</u>
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,313,555	\$ -	\$ -	\$ 2,313,555
Special Education	163,320	-	-	163,320
Vocational Education	79,287	-	-	79,287
Federal Programs	145,124	-	-	145,124
District Wide Services	268,487	-	-	268,487
Administration	465,270	-	-	465,270
School Food Services	-	-	255,821	255,821
Operations and Maintenance	550,373	-	-	550,373
Student transportation	417,342	-	-	417,342
Co-Curricular Activities	200,321	-	-	200,321
Business Education	14,526	-	-	14,526
Other Programs and Services	15,197	-	-	15,197
Capital Outlay:				
Facility Acquisition & Construction	-	-	5,570	5,570
Debt Service:				
Principal	6,192	484,664	130,000	620,856
Interest & Fiscal Charges	-	119,149	79,160	198,309
Total Expenditures	<u>\$ 4,638,994</u>	<u>\$ 603,813</u>	<u>\$ 470,551</u>	<u>\$ 5,713,358</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 484,280</u>	<u>\$ (115,506)</u>	<u>\$ (1,007)</u>	<u>\$ 367,767</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 131,362	\$ -	\$ 131,362
Transfers Out	(131,362)	-	-	(131,362)
Total Other Financing Sources (Uses)	<u>\$ (131,362)</u>	<u>\$ 131,362</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 352,918</u>	<u>\$ 15,856</u>	<u>\$ (1,007)</u>	<u>\$ 367,767</u>
Fund Balance - July 1	<u>\$ 838,024</u>	<u>\$ 270,977</u>	<u>\$ 80,884</u>	<u>\$ 1,189,885</u>
Fund Balance - June 30	<u>\$ 1,190,942</u>	<u>\$ 286,833</u>	<u>\$ 79,877</u>	<u>\$ 1,557,652</u>

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ 367,767

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

Governmental funds report capital outlays 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 and losses on capital assets.

Current Year Capital Asset Additions	\$ 203,214	
Current Year Depreciation Expense	(259,934)	(56,720)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net assets.

Repayment of Debt - Bonds	\$ 350,000	
Repayment of Debt - School Construction Loan	134,664	
Repayment of Debt - Revenue Bonds	130,000	
Repayment of Debt - Capital Leases	6,192	620,856

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Interest Payable	\$ 2,410	
Net Change in Early Retirement Payable	43,703	46,113

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the change in taxes receivable.

(17,617)

Change in Net Assets of Governmental Activities \$ 960,399

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

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

STATEMENT OF NET ASSETS  
June 30, 2010

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	<u>Governmental Activities</u>
<b><u>ASSETS:</u></b>	
Cash	\$ 1,258,140
Accounts Receivable	118,085
Taxes Receivable	141,764
Capital Assets (net of accumulated depreciation):	
Land	80,000
Buildings	6,376,561
Site Improvements	397,773
Vehicles	296,154
Equipment	306,210
CIP	2,351,416
Total Capital Assets	<u>\$ 9,808,114</u>
Total Assets	<u>\$ 11,326,103</u>
<b><u>LIABILITIES:</u></b>	
Accounts Payable	\$ 182,529
Benefits Payable	3,811
Interest Payable	25,055
Long-Term Liabilities	
Due Within One Year:	
General Obligation Bonds Payable	350,000
State School Construction Loan	134,664
Revenue Bonds Payable	130,000
Capital Lease Payable	6,192
Early Retirement Payable	43,703
Due After One Year:	
General Obligation Bonds Payable	2,475,000
State School Construction Loan	992,560
Revenue Bonds Payable	2,025,000
Capital Lease Payable	19,378
Early Retirement Payable	46,000
Total Liabilities	<u>\$ 6,433,892</u>
<b><u>NET ASSETS:</u></b>	
Invested in Capital Assets, net of related debt	\$ 3,675,320
Restricted for:	
Special Purposes	4,770
Debt Service	305,233
Capital Projects	51,059
Unrestricted	<u>855,829</u>
Total Net Assets	<u>\$ 4,892,211</u>

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Regular Instruction	\$ 2,384,203	\$ -	\$ -	\$ (2,384,203)
Special Education	163,320	-	-	(163,320)
Vocational Education	79,902	-	-	(79,902)
Federal Programs	229,914	-	1,200,109	970,195
District Wide Services	237,250	-	-	(237,250)
Administration	490,613	-	-	(490,613)
School Food Services	270,788	172,354	2,473	(95,961)
Operations and Maintenance	611,743	-	-	(611,743)
Transportation	443,002	-	259,087	(183,915)
Co-Curricular Activities	198,213	-	-	(198,213)
Business Education	12,709	-	-	(12,709)
Capital Outlay	78,188	-	-	(78,188)
Other Programs & Services	2,428	-	-	(2,428)
Interest & Service Charges	211,076	-	-	(211,076)
<b>Total Governmental Activities</b>	<b>\$ 5,413,349</b>	<b>\$ 172,354</b>	<b>\$ 1,461,669</b>	<b>\$ (3,779,326)</b>
<u>General Revenues:</u>				
Property taxes; levied for general purposes				\$ 1,494,021
Property taxes; levied for debt service				463,352
State Aid-Unrestricted				2,304,006
Interest Earnings				8,156
Miscellaneous Revenue				105,500
<b>Total General Revenues</b>				<b>\$ 4,375,035</b>
<b>Changes in Net Assets</b>				<b>\$ 595,709</b>
<b>Net Assets - July 1</b>				<b>\$ 4,296,502</b>
<b>Net Assets - June 30</b>				<b>\$ 4,892,211</b>

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2010

	General	Interest and Sinking Fund	Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 906,279	\$ 270,977	\$ 80,884	\$ 1,258,140
Accounts Receivable	118,085	-	-	118,085
Taxes Receivable	107,508	34,256	-	141,764
<b>Total Assets</b>	<b>\$ 1,131,872</b>	<b>\$ 305,233</b>	<b>\$ 80,884</b>	<b>\$ 1,517,989</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 182,529	\$ -	\$ -	\$ 182,529
Benefits Payable	3,811	-	-	3,811
Deferred Revenue	107,508	34,256	-	141,764
<b>Total Liabilities</b>	<b>\$ 293,848</b>	<b>\$ 34,256</b>	<b>\$ -</b>	<b>\$ 328,104</b>
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Debt Service	\$ -	\$ 270,977	\$ 19,172	\$ 290,149
Building Fund	-	-	56,942	56,942
<u>Committed to:</u>				
Food Service	-	-	4,770	4,770
<u>Unassigned:</u>	838,024	-	-	838,024
<b>Total Fund Balances</b>	<b>\$ 838,024</b>	<b>\$ 270,977</b>	<b>\$ 80,884</b>	<b>\$ 1,189,885</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,131,872</b>	<b>\$ 305,233</b>	<b>\$ 80,884</b>	<b>\$ 1,517,989</b>

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

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2010

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Total *Fund Balances* for Governmental Funds \$ 1,189,885

Total *net assets* reported for governmental activities in the statement of net assets is different because:

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

Cost of Capital Assets	\$ 12,477,369	
Less Accumulated Depreciation	<u>(2,669,255)</u>	
Net Capital Assets		9,808,114

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.

141,764

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net assets. Balances at June 30, 2010 are:

General Obligation Bonds Payable	\$ (2,825,000)	
State School Construction Loan Payable	(1,127,224)	
Revenue Bonds Payable	(2,155,000)	
Capital Lease Payable	(25,570)	
Interest Payable	(25,055)	
Early Retirement Payable	<u>(89,703)</u>	
Total Long-Term Liabilities		<u>(6,247,552)</u>

Total Net Assets of Governmental Activities \$ 4,892,211

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	General	Interest and Sinking Fund	Non-Major Funds	Total Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 1,508,199	\$ 484,177	\$ 284,354	\$ 2,276,730
State Sources	2,556,009	-	2,473	2,558,482
Federal Sources	1,123,361	-	76,747	1,200,108
Other Sources	5,500	-	100,000	105,500
Interest Income	6,133	1,785	238	8,156
<b>Total Revenues</b>	<b>\$ 5,199,202</b>	<b>\$ 485,962</b>	<b>\$ 463,812</b>	<b>\$ 6,148,976</b>
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,238,287	\$ -	\$ -	\$ 2,238,287
Special Education	163,320	-	-	163,320
Vocational Education	72,062	-	-	72,062
Federal Programs	229,914	-	-	229,914
District Wide Services	243,793	-	-	243,793
Administration	482,773	-	-	482,773
School Food Services	-	-	252,070	252,070
Operations and Maintenance	847,750	-	-	847,750
Student transportation	504,713	-	-	504,713
Co-Curricular Activities	171,696	-	-	171,696
Business Education	12,709	-	-	12,709
Other Programs and Services	2,428	-	-	2,428
Capital Outlay:				
Facility Acquisition & Construction	-	-	78,188	78,188
Debt Service:				
Principal	5,390	472,948	125,000	603,338
Interest & Fiscal Charges	-	131,066	82,097	213,163
<b>Total Expenditures</b>	<b>\$ 4,974,835</b>	<b>\$ 604,014</b>	<b>\$ 537,355</b>	<b>\$ 6,116,204</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 224,367	\$ (118,052)	\$ (73,543)	\$ 32,772
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 131,362	\$ -	\$ 131,362
Capital Lease Proceeds	30,960	-	-	30,960
Transfers Out	(131,362)	-	-	(131,362)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (100,402)</b>	<b>\$ 131,362</b>	<b>\$ -</b>	<b>\$ 30,960</b>
<b>Net Change in Fund Balances</b>	<b>\$ 123,965</b>	<b>\$ 13,310</b>	<b>\$ (73,543)</b>	<b>\$ 63,732</b>
Fund Balance - July 1	\$ 714,059	\$ 257,667	\$ 154,427	\$ 1,126,153
Fund Balance - June 30	\$ 838,024	\$ 270,977	\$ 80,884	\$ 1,189,885

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

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010

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Net Change in *Fund Balances* - Total Governmental Funds \$ 63,732

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

Governmental funds report capital outlays 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 and losses on capital assets.

Current Year Capital Asset Additions	\$ 424,160	
Current Year Depreciation Expense	(259,160)	
Loss on Capital Assets	<u>(28,467)</u>	136,533

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net assets.

Repayment of Debt - Bonds	\$ 340,000	
Repayment of Debt - School Construction Loan	132,948	
Repayment of Debt - Revenue Bonds	125,000	
Repayment of Debt - Capital Leases	5,390	
Issuance of Debt - Capital Leases	<u>(30,960)</u>	572,378

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Interest Payable	\$ 2,087	
Net Change in Early Retirement Payable	<u>(39,103)</u>	(37,016)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the change in taxes receivable.

(139,918)

Change in Net Assets of Governmental Activities \$ 595,709

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

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2011 and 2010

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	<u>Agency Funds</u>	
	<u>2011</u>	<u>2010</u>
<u>Assets:</u>		
Cash	<u>\$ 61,477</u>	<u>\$ 65,686</u>
<u>Liabilities:</u>		
Due to student activities groups	<u>\$ 61,477</u>	<u>\$ 65,686</u>

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

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Northern Cass Public School District No. 97, Hunter, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Northern Cass Public School District No. 97. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. 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 Northern Cass Public School District No. 97 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 Northern Cass Public School District No. 97.

Based on these criteria, there are no component units to be included within the Northern Cass Public School District No. 97 reporting entity.

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, Northern Cass Public School District No. 97. These statements include the financial activities of the overall government, except for fiduciary 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 School District'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, interest and non-restricted grants and contributions are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the school district's funds including its fiduciary fund and blended component unit. 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. The remaining governmental fund for hot lunch is reported as a nonmajor fund.

The School District reports the following major governmental funds:

*General Fund.* This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Interest and Sinking Fund.* This is a fund used to pay principal and interest on the state school construction loan and the 1998 Refunding Bonds.

*Building Authority Fund.* This fund accounts for the construction of the School District's new classroom addition, gym, and parking lot along with its related 2010 Revenue Bond.

The School District reports the following fund type:

*Agency Fund.* This fund accounts for assets held by the School District in a custodial capacity as an agent on behalf of others. The School District's agency fund is used to account for various deposits of the student activity funds.

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

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School District 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 School District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The school district has elected not to follow subsequent private-sector guidance.

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and CD's with a maturity of 90 days or less.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

E. Capital Assets

Capital assets include property, plant and equipment and are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at 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 is not capitalized.

Capital assets are depreciated using the straight-line method and the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	50 Years
Site Improvements	20 Years
Vehicles	8 Years
Equipment	5 - 20 Years

F. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations, such as early retirement payable, are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs, when applicable, would be recognized in the current period if 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.

G. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

***Fund Balance Spending Policy:***

It is the policy of the Northern Cass Public School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

**Minimum Fund Balance Policy:**

The Northern Cass Public School District budget committee established a 15% general fund carryover balance target several years ago to help with financial stability included in the strategic plan. The 15% fund balance range is a part of the budget recommendation adopted by the school board each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$1,190,942 at June 30, 2011 represented 25.7% of FY2011 expenditures.

**GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

**Restricted Fund Balances – consist of the following at June 30, 2011 and June 30, 2010:**

**Building Authority Fund (non-major fund restricted by enabling legislation, bond indenture & Restricted tax levy):**

- (a) Building Authority Fund (off book trustee account) – restricted by specified tax levy/bond indenture – \$51,372 at June 30, 2011 and \$56,942 at June 30, 2010;

Debt Service Funds (restricted by enabling legislation - levy):

- (a) Debt Service fund 04 – major fund – restricted by bond indentures reported in the interest and sinking fund – consists of General Obligation Bonds 1996, 1998 Series A, and 1998 Series B and state school construction loans payable – totaling \$286,833 at June 30, 2011 and \$270,977 at June 30, 2010;
- (b) Building Fund 03 - non-major fund – restricted by tax levy for school building construction, debt service and improvement projects – totaling \$22,012 at June 30, 2011 and \$19,172 at June 30, 2010;

**Assigned Fund Balances – consist of the following at June 30, 2011 and June 30, 2010:**

Food Service fund – assigned by federal and state reimbursements for free and reduced meals and grants – reported in other governmental funds – totaling \$6,493, at June 30, 2011 and \$4,770 at June 30, 2010.

H. 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.

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

**NOTE 2: LEGAL COMPLIANCE - BUDGETS**

BUDGET AMENDMENTS

The school board amended the school district budget for the year ended June 30, 2010 as follows:

<b>FY2010:</b>	<b>Original Budget</b>	<b>Budget Amendment</b>	<b>Amended Budget</b>
General Fund (Revenues)	\$5,024,599	\$1,910	\$5,026,509
General Fund (Expenditures)	4,804,764	1,910	4,806,674

**NOTE 3: DEPOSITS AND INVESTMENTS**

In accordance with North Dakota Statutes, the school district 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. 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 deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, 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 or instrumentalities or by any county, city, township, school district, park district, 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.

## NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97

### Notes to the Financial Statements – Continued

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At year ended June 30, 2011 the School District's cash carrying values of deposits totaled \$1,605,970 and bank balances totaled \$1,813,997. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$1,313,997 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2010 the School District's cash carrying values of deposits totaled \$1,266,884 and bank balances totaled \$1,364,730. Of the bank balances, \$563,996 was covered by Federal Depository Insurance. The remaining bank balances totaling \$800,734, were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2011 and 2010, the School District also had an investment with U.S. Bank for off book activity related to the issuance of bonds for construction. The carrying amount and market value of the investment at June 30, 2011 and June 30, 2010 was \$51,372 and \$56,941, respectively. The balances were covered by SIPC insurance.

#### Credit Risk:

The School District may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct 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 the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

#### Concentration of Credit Risk:

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

#### **NOTE 4: TAXES RECEIVABLE**

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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

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

#### **NOTE 5: ACCOUNTS RECEIVABLE**

Accounts receivable consists of reimbursements due from the state and other school districts for the operation of various school programs.

**NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97**  
Notes to the Financial Statements – Continued

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended June 30, 2011 and 2010:

<b>Governmental Activities (FY2011):</b>	<b>Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
CIP	2,351,416	-	-	2,351,416
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 2,431,416</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,431,416</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 8,132,393	\$ -	\$ -	\$ 8,132,393
Site Improvements	483,020	28,403	-	511,423
Vehicles	815,669	146,810	93,065	869,414
Equipment	614,871	28,000	-	642,871
<b>Total Capital Assets, Being Depreciated</b>	<b>\$10,045,953</b>	<b>\$203,213</b>	<b>\$93,065</b>	<b>\$10,156,101</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 1,755,832	\$162,648	\$ -	\$ 1,918,480
Site Improvements	85,247	10,901	-	96,148
Vehicles	519,515	49,597	93,065	476,047
Equipment	308,661	36,787	-	345,448
<b>Total Accumulated Depreciation</b>	<b>\$ 2,669,255</b>	<b>\$259,933</b>	<b>\$93,065</b>	<b>\$ 2,836,123</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 7,376,698</b>	<b>\$ (56,720)</b>	<b>\$ -</b>	<b>\$ 7,319,978</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 9,808,114</b>	<b>\$ (56,720)</b>	<b>\$ -</b>	<b>\$ 9,751,394</b>

<b>Governmental Activities (FY2010):</b>	<b>Balance July 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 80,000	\$ -	\$ -	\$ 80,000
CIP	2,351,416	-	-	2,351,416
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$2,431,416</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,431,416</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$8,132,393	\$ -	\$ -	\$ 8,132,393
Site Improvements	218,020	265,000	-	483,020
Vehicles	760,828	142,000	87,159	815,669
Equipment	628,211	17,160	30,500	614,871
<b>Total Capital Assets, Being Depreciated</b>	<b>\$9,739,452</b>	<b>\$424,160</b>	<b>\$117,659</b>	<b>\$10,045,953</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$1,593,184	\$162,648	\$ -	\$ 1,755,832
Site Improvements	74,346	10,901	-	85,247
Vehicles	556,450	50,224	87,159	519,515
Equipment	275,306	35,388	2,033	308,661
<b>Total Accumulated Depreciation</b>	<b>\$2,499,286</b>	<b>\$259,161</b>	<b>\$ 89,192</b>	<b>\$ 2,669,255</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$7,240,166</b>	<b>\$164,999</b>	<b>\$ 28,467</b>	<b>\$ 7,376,698</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$9,671,582</b>	<b>\$164,999</b>	<b>\$ 28,467</b>	<b>\$ 9,808,114</b>

Depreciation expense was charged to functions/programs of the school district as follows:

<b>Governmental Activities:</b>	<b>2011</b>	<b>2010</b>
Regular Instruction	\$106,813	\$106,813
Administration	7,840	7,840
Operations and Maintenance	26,959	28,993
District-Wide Services	14,049	10,617
School Food Services	18,718	18,718
Vocational Education	7,840	7,840
Co-Curricular	26,518	26,518
Transportation	51,196	51,822
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$259,933</b>	<b>\$259,161</b>

**NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97**  
Notes to the Financial Statements – Continued

**NOTE 7: ACCOUNTS PAYABLE**

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at June 30, 2011 and June 30, 2010 and are chargeable to the appropriations for the year then ended, but paid subsequent to that date.

**NOTE 8: BENEFITS PAYABLE**

Benefits payable consist of payroll deductions withheld for state tax, health and life insurance, and medical flex compensation but not paid until after year-end.

**NOTE 9: LEASES PAYABLE**

Operating Leases - The government has entered into lease agreements for the rental of copiers along with the rental of a mailing meter. The lease payments made during FY2011 and FY2010 were \$5,855 and \$5,855, respectively.

The future operating lease obligations at June 30, 2011, were as follows:

Year Ending June 30	Operating Leases
2012	\$ 5,855
2013	5,076
2014	5,076
Total Minimum Lease Payments	\$16,007

**NOTE 10: LONG-TERM DEBT**

Changes in Long-Term Liabilities - During the years ended June 30, 2011 and 2010, the following changes occurred in liabilities reported in long-term liabilities:

Debt Type (FY2011):	Balance 7-1-10	Increases	Decreases	Balance 6-30-11	Due Within One Year
G.O. Bonds Payable	\$2,825,000	\$ -	\$350,000	\$2,475,000	\$365,000
State School Construction	1,127,224	-	134,663	992,561	132,948
Revenue Bonds Payable	2,155,000	-	130,000	2,025,000	135,000
Capital Lease Payable	25,570	-	6,192	19,378	6,192
Early Retirement Payable	89,703	-	43,703	46,000	11,500
<b>TOTAL</b>	<b>\$6,222,497</b>	<b>\$ -</b>	<b>\$664,558</b>	<b>\$5,557,939</b>	<b>\$650,640</b>

Debt Type (FY2010):	Balance 7-1-09	Increases	Decreases	Balance 6-30-10	Due Within One Year
G.O. Bonds Payable	\$3,165,000	\$ -	\$340,000	\$2,825,000	\$350,000
State School Construction	1,260,172	-	132,948	1,127,224	134,663
Revenue Bonds Payable	2,280,000	-	125,000	2,155,000	130,000
Capital Lease Payable	-	30,960	5,390	25,570	6,192
Early Retirement Payable	50,600	39,103	-	89,703	43,703
<b>TOTAL</b>	<b>\$6,755,772</b>	<b>\$70,063</b>	<b>\$603,338</b>	<b>\$6,222,497</b>	<b>\$664,558</b>

**NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97**  
Notes to the Financial Statements – Continued

Outstanding long-term obligations at June 30, 2011 consist of the following individual items:

**General Obligation Bonds Payable:**

\$4,120,000 General Obligation Bonds of 2004, due in annual installments of \$305,000 to \$460,000 through November 2017; interest at 5.0% \$2,475,000

**State School Construction Loan:**

\$2,500,000 State School Construction Loan Payable, due in annual installments of \$127,933 to \$147,304 through 2018; interest at 1.29% \$ 992,561

**Building Authority Revenue Bond:**

\$2,400,000 Building Authority Revenue Bond, due in annual installments of \$211,799 to \$219,030 through 2023; interest ranging from 2.20% to 4.30% \$2,025,000

**Early Retirement Payable:**

Pursuant to the School District Early Retirement Policy, certain employees who meet certain eligibility requirements qualify for early retirement benefits. Several employees entered into early retirement agreements with the school district during the years ended June 30, 2006 and 2007. A number of other employees also had health benefits paid during retirement. The amount payable to the employees at June 30, 2011 was: \$ 46,000

**Capital Leases Payable:**

\$17,160 Lease with Advanced Business Methods, due in annual installments of \$572 to \$3,432 through 2015. \$ 10,868

\$13,800 lease with Advanced Business Methods due in annual installments of \$230 to \$2,760 through 2015. 8,510

Total Capital Leases Payable \$ 19,378

**Total Long-Term Obligations** \$5,557,939

Debt service requirements on long-term debt related to the revenue bonds, general obligation bonds and the state school construction loan at June 30, 2011 are as follows:

GOVERNMENTAL ACTIVITIES								
Year Ending June 30	G.O. Bonds		State School Loan		Revenue Bond		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 365,000	\$ 91,578	\$136,401	\$12,804	\$ 135,000	\$ 75,780	\$ 6,192	\$ -
2013	385,000	78,620	138,160	11,044	140,000	72,000	6,192	-
2014	405,000	64,375	139,942	9,262	145,000	68,080	6,192	-
2015	420,000	50,200	141,748	7,457	150,000	63,368	802	-
2016	440,000	34,660	143,576	5,628	155,000	58,492	-	-
2017 - 2021	460,000	17,940	292,734	5,676	885,000	201,873	-	-
2022 - 2026	-	-	-	-	415,000	26,875	-	-
TOTALS	\$2,475,000	\$337,373	\$992,561	\$51,871	\$2,025,000	\$566,468	\$19,378	\$ -

Payments related to early retirement agreements are scheduled as follows:

<b>Year Ending June 30</b>	<b>Retirement Payments</b>
2012	\$11,500
2013	11,500
2014	6,900
2015	4,600
2016	4,600
2017 - 2021	6,900
<b>TOTALS</b>	<b>\$46,000</b>

**NOTE 11: DEFERRED REVENUES**

Deferred revenues on the fund financial statements consist of amounts for taxes receivable for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

**NOTE 12: RISK MANAGEMENT**

The Northern Cass Public School District No. 97 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Northern Cass Public School District pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$423,529 for public assets (mobile equipment and portable property).

The Northern Cass Public School District No. 97 participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Northern Cass Public School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a 3<sup>rd</sup> party carrier for losses on excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Northern Cass Public School District No. 97 with blanket fidelity bond coverage in the amount of \$1,400,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Northern Cass Public School District No. 97 has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 13: PENSION PLANS**

1. North Dakota Teacher's Fund For Retirement (NDTFFR)

The Northern Cass Public School District No. 97 contributes to the North Dakota Teacher's Fund for Retirement (NDTFFR); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its certified staff. NDTFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. NDTFFR issues a publicly available financial report that includes financial statements and required supplementary information for NDTFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100.

Plan members are required to contribute 7.75% of their annual covered salary and the school district is required to contribute 7.75% of the teacher's salary. The school district has agreed to pay 100% of the member assessments. The contribution requirements of plan members and the school district are established and may be amended by the State legislature. The school district's contributions to NDTRF for the fiscal years ending June 30, 2011, 2010 and 2009 were \$184,529, \$167,726, and \$152,148, respectively.

2. North Dakota Public Employees' Retirement System (NDPERS)

The Northern Cass Public School District No. 97 contributes to the North Dakota Public Employees' Retirement System (NDPERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its non-certified staff. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, P.O. Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 4% of their annual covered salary. The school district is required to contribute 5.12% of the employee's salary which consists of 4.12% for employee retirement and 1% for the retiree health benefits fund. The contribution requirements of plan members and the school district are established and may be amended by the State legislature. The school district's contributions to NDPERS for the years ending June 30, 2011, 2010, and 2009 were \$17,825, \$19,810, and \$18,852, respectively, equal to the required contributions for the year.

**NOTE 14: POST RETIREMENT BENEFITS**

Plan description for the purpose of GASB 45: The Northern Cass School District administers a single-employer early retirement plan. Employee is defined as the professional certificated staff member who is eligible for participation in the North Dakota Teachers' Fund for Retirement. There are two options for payment. Option 1 will be determined by a formula including the years of service, the number of years since becoming eligible for retirement under the rules of the Teachers' Fund for Retirement, and the amount of the employee's contract for the final year of service and will be paid out over a two year period. Option 2 will be for the single health insurance coverage on the Northern Cass Health Group up to \$2,300 per year from the effective date of retirement until the employee becomes eligible for Medicare benefits.

**NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97**  
Notes to the Financial Statements – Continued

Funding policy: Early retirement is fully voluntary, and no employee shall be required or coerced in any manner to retire early under the provision of the early retirement policy. However, all persons who desire early retirement and are eligible may take application. The School Board will consider all such requests, by approval of any or all requests will depend on the availability of funds, the number of applicants, and such other factors as the Board, in its sole discretion, may deem important.

The following are the actual other postemployment benefits paid out from 1998-2012.

	<b>Actual Retirees</b>	<b>Actual Expense</b>		<b>Actual Retirees</b>	<b>Actual Expense</b>
1998-99	1	\$ 2,300	2005-06	8	\$31,027
1999-00	1	2,300	2006-07	7	25,171
2000-01	1	2,300	2007-08	7	25,171
2001-02	3	6,900	2008-09	5	11,500
2002-03	5	23,621	2009-10	8	39,103
2003-04	5	23,621	2010-11	10	43,703
2004-05	6	27,427	2011-12	8	18,400

The following is a list of the estimated liability to Northern Cass for other postemployment benefits based on members eligible to retire per North Dakota Teachers' Fund for Retirement from 2012-2013 through 2020-2021. If employee is on Northern Cass Group Health Insurance Plan it was assumed that they would take Option 2, if the employee is not on the Northern Cass Group Health Insurance Plan it was assumed that they would take Option 1. Salary was calculated at an average increase of 4% per year.

	<b>Actual Retirees To Date</b>	<b>Actual Expense To Date</b>	<b>Estimated Retirees Future</b>	<b>Estimated Expense Future</b>	<b>Total Estimated Liability</b>
2012-13	8	\$18,400	3	\$14,600	\$33,000
2013-14	6	13,800	4	16,900	30,700
2014-15	5	11,500	4	17,900	29,400
2015-16	5	11,500	5	27,900	39,400
2016-17	4	9,200	4	17,900	27,100
2017-18	3	6,900	4	9,200	16,100
2018-19	2	4,600	3	15,600	20,200
2019-20	1	2,300	3	15,600	17,900
2020-21	1	2,300	4	17,900	20,200

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 6  
Hunter, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,481,737	\$ 1,481,737	\$ 1,546,050	\$ 64,313
State Sources	3,204,392	3,204,392	3,311,769	107,377
Federal Sources	128,040	128,040	261,670	133,630
Interest Income	10,000	10,000	3,785	(6,215)
<b>Total Revenues</b>	<b>\$ 4,824,169</b>	<b>\$ 4,824,169</b>	<b>\$ 5,123,274</b>	<b>\$ 299,105</b>
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,395,392	\$ 2,395,392	\$ 2,313,555	\$ 81,837
Federal Programs	128,091	128,091	145,124	(17,033)
District-Wide Services	267,949	267,949	268,487	(538)
Special Education	163,300	163,300	163,320	(20)
Vocational Education	86,515	86,515	79,287	7,228
School Administration	473,596	473,596	465,270	8,326
Operations and Maintenance	546,200	546,200	550,373	(4,173)
Student Transportation	325,750	325,750	417,342	(91,592)
Co-curricular Activities	195,780	195,780	200,321	(4,541)
Business Education	17,406	17,406	14,526	2,880
Other Programs and Services	13,200	13,200	15,197	(1,997)
Debt Service:				
Principal	1,000	1,000	6,192	(5,192)
<b>Total Expenditures</b>	<b>\$ 4,614,179</b>	<b>\$ 4,614,179</b>	<b>\$ 4,638,994</b>	<b>\$ (24,815)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 209,990	\$ 209,990	\$ 484,280	\$ 274,290
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (131,362)	\$ (131,362)	\$ (131,362)	\$ -
<b>Net Changes in Fund Balances</b>	<b>\$ 78,628</b>	<b>\$ 78,628</b>	<b>\$ 352,918</b>	<b>\$ 274,290</b>
Fund Balance - July 1	\$ 838,024	\$ 838,024	\$ 838,024	\$ -
<b>Fund Balance - June 30</b>	<b>\$ 916,652</b>	<b>\$ 916,652</b>	<b>\$ 1,190,942</b>	<b>\$ 274,290</b>

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 6  
Hunter, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 1,408,052	\$ 1,408,052	\$ 1,508,199	\$ 100,147
State Sources	2,953,792	2,953,792	2,556,009	(397,783)
Federal Sources	652,755	654,665	1,123,361	468,696
Other Sources	-	-	5,500	5,500
Interest Income	10,000	10,000	6,133	(3,867)
<b>Total Revenues</b>	<b>\$ 5,024,599</b>	<b>\$ 5,026,509</b>	<b>\$ 5,199,202</b>	<b>\$ 172,693</b>
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 2,238,815	\$ 2,238,815	\$ 2,238,287	\$ 528
Federal Programs	183,800	185,710	229,914	(44,204)
District-Wide Services	256,132	256,132	243,793	12,339
Special Education	163,300	163,300	163,320	(20)
Vocational Education	81,225	81,225	72,062	9,163
School Administration	460,325	460,325	451,813	8,512
Operations and Maintenance	850,060	850,060	847,750	2,310
Student Transportation	371,070	371,070	504,713	(133,643)
Co-curricular Activities	169,007	169,007	171,696	(2,689)
Business Education	16,830	16,830	12,709	4,121
Other Programs and Services	13,200	13,200	2,428	10,772
Debt Service:				
Principal	1,000	1,000	5,390	(4,390)
<b>Total Expenditures</b>	<b>\$ 4,804,764</b>	<b>\$ 4,806,674</b>	<b>\$ 4,943,875</b>	<b>\$ (137,201)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 219,835	\$ 219,835	\$ 255,327	\$ 35,492
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ (131,362)	\$ (131,362)	\$ (131,362)	\$ -
<b>Net Changes in Fund Balances</b>	<b>\$ 88,473</b>	<b>\$ 88,473</b>	<b>\$ 123,965</b>	<b>\$ 35,492</b>
Fund Balance - July 1	\$ 714,059	\$ 714,059	\$ 714,059	\$ -
<b>Fund Balance - June 30</b>	<b>\$ 802,532</b>	<b>\$ 802,532</b>	<b>\$ 838,024</b>	<b>\$ 35,492</b>

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

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2011 and 2010

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**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

**NOTE 2: EXPENDITURES IN EXCESS OF BUDGET**

During fiscal year 2011 and fiscal year 2010, Northern Cass Public School District had the following fund expenditures in excess of budgeted amounts:

<b>Overspent Fund - 2011</b>	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
Major Fund:			
General Fund	\$4,614,179	\$4,638,994	\$24,815

<b>Overspent Fund - 2010</b>	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
Major Fund:			
General Fund	\$4,806,674	\$4,943,875	\$137,201

No remedial action is anticipated or required regarding these excess expenditures

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2011

	Food Service	Building Fund	Building Authority	Total Non Major Funds
<u>ASSETS</u>				
Cash	\$ 6,493	\$ 22,012	\$ 51,372	\$ 79,877
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>	\$ -	\$ -	\$ -	\$ -
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Debt Service	\$ -	\$ 22,012	\$ -	\$ 22,012
Building Fund	-	-	51,372	51,372
<u>Committed to:</u>				
Food Service	6,493	-	-	6,493
Total Fund Balances	\$ 6,493	\$ 22,012	\$ 51,372	\$ 79,877
Total Liabilities and Fund Balances	\$ 6,493	\$ 22,012	\$ 51,372	\$ 79,877

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2010

	Food Service	Building Fund	Building Authority	Total Non Major Funds
<u>ASSETS</u>				
Cash	\$ 4,770	\$ 19,172	\$ 56,942	\$ 80,884
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>	\$ -	\$ -	\$ -	\$ -
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Debt Service	\$ -	\$ 19,172	\$ -	\$ 19,172
Building Fund	-	-	56,942	56,942
<u>Committed to:</u>				
Food Service	4,770	-	-	4,770
Total Fund Balances	\$ 4,770	\$ 19,172	\$ 56,942	\$ 80,884
Total Liabilities and Fund Balances	\$ 4,770	\$ 19,172	\$ 56,942	\$ 80,884

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

	Food Service	Building Fund	Building Authority	Total Non Major Funds
<u>Revenues:</u>				
Local Sources	\$ 180,354	\$ 112,000	\$ -	\$ 292,354
State Sources	2,884	-	-	2,884
Federal Sources	74,153	-	-	74,153
Other Sources	-	100,000	-	100,000
Interest Income	153	-	-	153
Total Revenues	<u>\$ 257,544</u>	<u>\$ 212,000</u>	<u>\$ -</u>	<u>\$ 469,544</u>
<u>Expenditures:</u>				
Current:				
School Food Services	\$ 255,821	\$ -	\$ -	\$ 255,821
Capital Outlay				
Facility Acquisition & Construction	-	-	5,570	5,570
Debt Service:				
Principal	-	130,000	-	130,000
Interest & Fiscal Charges	-	79,160	-	79,160
Total Expenditures	<u>\$ 255,821</u>	<u>\$ 209,160</u>	<u>\$ 5,570</u>	<u>\$ 470,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,723</u>	<u>\$ 2,840</u>	<u>\$ (5,570)</u>	<u>\$ (1,007)</u>
Fund Balance - July 1	<u>\$ 4,770</u>	<u>\$ 19,172</u>	<u>\$ 56,942</u>	<u>\$ 80,884</u>
Fund Balance - June 30	<u>\$ 6,493</u>	<u>\$ 22,012</u>	<u>\$ 51,372</u>	<u>\$ 79,877</u>

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

NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2010

	Food Service	Building Fund	Building Authority	Total Non Major Funds
<u>Revenues:</u>				
Local Sources	\$ 172,354	\$ 112,000	\$ -	\$ 284,354
State Sources	2,473	-	-	2,473
Federal Sources	76,747	-	-	76,747
Other Sources	-	100,000	-	100,000
Interest Income	238	-	-	238
<b>Total Revenues</b>	<b>\$ 251,812</b>	<b>\$ 212,000</b>	<b>\$ -</b>	<b>\$ 463,812</b>
<u>Expenditures:</u>				
Current:				
School Food Services	\$ 252,070	\$ -	\$ -	\$ 252,070
Capital Outlay				
Facility Acquisition & Construction	-	-	78,188	78,188
Debt Service:				
Principal	-	125,000	-	125,000
Interest & Fiscal Charges	-	82,097	-	82,097
<b>Total Expenditures</b>	<b>\$ 252,070</b>	<b>\$ 207,097</b>	<b>\$ 78,188</b>	<b>\$ 537,355</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (258)	\$ 4,903	\$ (78,188)	\$ (73,543)
Fund Balance - July 1	\$ 5,028	\$ 14,269	\$ 135,130	\$ 154,427
Fund Balance - June 30	\$ 4,770	\$ 19,172	\$ 56,942	\$ 80,884

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

STATE AUDITOR

ROBERT R. PETERSON  
Phone (701) 328-2241  
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Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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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*

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School Board  
Northern Cass Public School District No. 97  
Hunter, North Dakota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Northern Cass Public School District No. 97, Hunter, North Dakota as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated March 26, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northern Cass Public School District No. 97's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Cass Public School District No. 97's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northern Cass Public School District No. 97's internal control over financial reporting.

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 or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency in internal control over financial reporting [2011-01]. 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 charges with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northern Cass Public School District No. 97's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Northern Cass Public School District No. 97 in a separate letter dated March 26, 2012.

Northern Cass Public School District No. 97's response to the finding identified in our audit is described in the accompanying *schedule of findings and responses*. We did not audit Northern Cass Public School District No. 97's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, school board, and others within the school district, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson".

Robert R. Peterson  
State Auditor

March 26, 2012

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NORTHERN CASS PUBLIC SCHOOL DISTRICT NO. 97  
Hunter, Northern Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Years Ended June 30, 2011 and 2010

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

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

**Internal Control Over Financial Reporting:**

Material weaknesses identified?	<u>    </u> Yes	<u>  X  </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>    </u> None Reported
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  X  </u> No

**Section II – Financial Statements Findings**

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**2011-01 – LACK OF SEGREGATION OF DUTIES**

**Condition:**

Northern Cass Public School District has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

**Effect:**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the school district's financial condition, whether due to error or fraud.

**Cause:**

Due to the client's size, complexity, organizational structure and the economic realities the school district faces, it is presently not economically feasible to have more than one person responsible for the accounting functions.

**Criteria:**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the school district.

**Recommendation:**

Due to the size, complexity and the economic realities of the school district, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

**Views of Responsible Officials / Planned Corrective Actions:**

Northern Cass School District agrees with this determination and will make every effort to segregate duties whenever possible.