

***ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER***

AUDIT REPORT

June 30, 2020

Roughrider Area Career and Technology Center  
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For The Year Ended June 30, 2020

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ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER  
Hebron, North Dakota

OFFICIALS  
2019-2020

Kevin Nelson, Director

Governing Board

Lucas Greff (Board President)	Larry Lundberg	John Pretzer
Leah Madler (Vice-President)	Ashlie Palmer	Joy Laufer
Kim Gaugler	Terry Johnson	John Barry
Brent Seaks	Jody Hoff	Barb Meduna

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Roughrider Area Career and Technology Center  
Hebron, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Roughrider Area Career and Technology Center, Hebron, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## INDEPENDENT AUDITOR'S REPORT

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Roughrider Area Career and Technology Center as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Center's share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 22, the budgetary comparison information on page 23, and the notes to the required supplementary information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis 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. Our opinion on the basic financial statements is not affected by this missing information.

## INDEPENDENT AUDITOR'S REPORT

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, on our consideration of Roughrider Area Career and Technology Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roughrider Area Career and Technology Center's internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
April 26, 2021

Roughrider Area Career and Technology Center  
Statement of Net Position  
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 86,353
Due from Other Governments	146,236
Capital Assets:	
Property, Plant, & Equipment	307,470
Less Accumulated Depreciation	(205,593)
Net Capital Assets	<u>101,877</u>
TOTAL ASSETS	334,466
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions	80,870
LIABILITIES	
Current Liabilities:	
Payroll Payable	718
Long-Term Liabilities:	
Due After One Year	
Net Pension Liability	<u>281,670</u>
TOTAL LIABILITIES	282,388
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions	72,834
NET POSITION	
Net Investment in Capital Assets	101,877
Unassigned	<u>(41,763)</u>
TOTAL NET POSITION	<u><u>\$ 60,114</u></u>

Roughrider Area Career and Technology Center  
Statement of Activities  
For the Year Ended June 30, 2020

	Program Receipts			Net (Expense) Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Functions/Programs				
Governmental Activities				
Vocational Education Services	\$ 435,439	\$ 213,451	\$ -	\$ (221,988)
Support Services	203,042	-	-	(203,042)
Total Government Activities	<u>\$ 638,481</u>	<u>\$ 213,451</u>	<u>\$ -</u>	<u>(425,030)</u>
General Receipts:				
State Aid				457,558
Interest Income				772
Total General Revenues				<u>458,330</u>
Change in Net Position				33,300
Net Position - Beginning of Year				26,814
Net Position - End of Year				<u>\$ 60,114</u>

Roughrider Area Career and Technology Center  
Balance Sheet-Governmental Fund  
June 30, 2020

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	\$ 86,353
Due from Other Governments	<u>146,236</u>
TOTAL ASSETS	<u><u>\$ 232,589</u></u>
LIABILITIES & FUND BALANCES	
Liabilities:	
Payroll Payable	<u>\$ 718</u>
Total Liabilities	718
Fund Balances:	
Unassigned	<u>231,871</u>
TOTAL LIABILITIES & FUND BALANCES	<u><u>\$ 232,589</u></u>
Reconciliation of Fund Balances to Net Position:	
Total Fund Balances for Governmental Funds	\$ 231,871
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	101,877
Deferred outflows of resources are not a financial resource available for the current period and, therefore, are not reported in the governmental funds balance sheet.	80,870
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	(281,670)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(72,834)</u>
Net position of governmental activities	<u><u>\$ 60,114</u></u>

Roughrider Area Career and Technology Center  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2020

	<u>General</u>
REVENUES	
Interest Income	\$ 772
District Fees	213,451
State Grant	<u>457,558</u>
TOTAL REVENUES	<u>671,781</u>
EXPENDITURES	
Current:	
Salaries	253,758
Employee Benefits	47,358
Purchased Services	215,969
Supplies	50,863
Equipment	53,770
Administration	33,805
Other	<u>5,838</u>
TOTAL EXPENDITURES	<u>661,361</u>
Change in Fund Balance	10,420
Fund Balance - July 1, 2019	<u>221,451</u>
FUND BALANCE - JUNE 30, 2020	<u><u>\$ 231,871</u></u>

Roughrider Area Career and Technology Center  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2020

Net change in fund balances - governmental fund	\$	10,420
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The change in net position 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 purchases exceeded depreciation.

Capital assets purchased in the current period	\$	45,673	
Depreciation expense of capital assets reported		(28,923)	16,750

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pensions		6,130
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Change in net position in governmental activities	\$	33,300
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Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Roughrider Area Career and Technology Center (Center) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. 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.

Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14 *The Financial Reporting Entity*, for financial reporting purposes the Center's financial statements include all accounts of the Center's operations. The criteria for including organizations as component units within the Center's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Center holds the corporate powers of the organization
- the Center appoints a voting majority of the organization's board
- the Center is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Center
- there is a fiscal dependency by the organization on the Center

The operations of the Center are controlled by a Board, comprised of representatives of the twelve area schools, and responsible for all of the Center's activities. The Center receives funding from District fees and the North Dakota Department of Career and Technical Education (ND CTE) and must comply with the budget and reimbursement process requirements. Based upon the criteria of Statement No. 14, there are no component units to be included within the Center as a reporting entity and the Center is not includable as a component unit within another reporting entity.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by membership fees charged to external parties for goods or services. Currently, the Center has no fiduciary or business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue items not properly included among program revenues are reported instead as general revenues.

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The Center has no proprietary or fiduciary activities at this time. These statements present each major fund as a separate column on the fund financial statements (the Center has only one fund); any non-major funds would be aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Center has presented the following major fund:

General Fund: The General Fund is the main operating fund of the Center and is 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.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

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

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Center reports the following major governmental fund:

Major Funds

Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of that total for all governmental funds also be reported as major funds. Accordingly, the Center reports the following major governmental fund:

General Fund – This is the Center’s primary operating fund and it accounts for all financial resources of the Center except those required to be accounted for in other funds.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center’s board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

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 board – the Center’s highest level of decision-making authority.

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

*Assigned* – This classification reflects the amounts constrained by the Center’s “intent” to be used for special purposes, but are neither restricted nor committed. The board has 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.

All of the Center’s fund balances are considered unassigned.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 4 for additional information.

Capital Assets

Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of \$5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Equipment	5 - 7 Years
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Pensions

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

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 2      CASH

State statutes authorize local governments to invest in: a) bonds, treasury bills, and notes or other securities that are a direct obligation of, or an obligation insured or guaranteed by the Treasury of the United States or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution which the underlying securities for the agreement to repurchase are of the type listed above, c) certificates of deposit fully insured by the Federal Deposit Insurance Corporation or the state, d) certificates of deposit, savings deposits, or other deposits fully insured or guaranteed by the Federal Deposit Insurance Corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the Commissioner of Financial Institutions, e) State and local securities, and f) commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

At June 30, 2020, the carrying amount of the Center's deposits (cash and money markets) was \$86,353 and the bank balance was \$94,803. The entire bank balance throughout the year was covered by Federal Depository Insurance or by collateral held by the pledging financial institution's trust department or agent in the Center's name.

The deposits were deemed collateralized under North Dakota law during the year.

Concentration of Credit Risk

The investment policy of the Center contains no limitations on the amount that can be invested in any one issuer. All of the deposits held in the Center's name are authorized by the State of North Dakota.

Custodial Credit Risk

The investment policy of the Center does not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits other than the provision of state law.

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

NOTE 3      RISK MANAGEMENT

The Roughrider Area Career and Technology Center 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Center pays an annual premium to NDIRF for its general liability, and automobile. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

The Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Center pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivisions with blanket fidelity bond coverage in the amount of \$250,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 3      RISK MANAGEMENT – CONTINUED

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

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

NOTE 4      DEFERRED OUTFLOWS AND INFLOWS OF REOURCES (PENSIONS)

Details of the Deferred Outflows of Resources and Deferred Inflows of Resources on the face of the financial statements as of June 30, 2020 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	\$ 80,870
Total	<u>\$ 80,870</u>
Deferred Inflows of Resources	
Derived from pension - TFFR	\$ 72,834
Total	<u>\$ 72,834</u>

Note 5 of the financial statements contains detail of the pension plan.

NOTE 5      PENSION PLAN

General Information about the Pension Plan

***North Dakota Teachers' Fund for Retirement***

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

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

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

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 5      PENSION PLAN

***Pension Benefits***

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 5      PENSION PLAN

*Tier 2*

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

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

***Death and Disability Benefits***

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

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

***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 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 5      PENSION PLAN

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

At June 30, 2020 the Center reported a liability of \$281,670 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2019, the Center's proportion was 0.02045163%, which was an increase of 0.00005621% from its proportion measured as of July 1, 2018.

For the year ended June 30, 2020, the Center recognized pension expense of \$19,201. At June 30, 2020, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 402	\$ 10,166
Changes of assumptions	10,011	-
Net difference between projected and actual earnings on pension plan investments	3,965	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,161	62,668
Employer contributions subsequent to the measurement date (see below)	25,331	-
Total	<u>\$ 80,870</u>	<u>\$ 72,834</u>

\$25,331 reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>For the year ended June 30,</u>	
2021	\$ (4,687)
2022	(11,373)
2023	(9,726)
2024	10,656
2025	(1,584)
Thereafter	(581)

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

**NOTE 5      PENSION PLAN**

**Actuarial assumptions.** The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2019, funding actuarial valuation for TFFR.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.9%
Global Fixed Income	23%	2.1%
Global Real Assets	18%	5.4%
Cash Equivalents	1%	0.0%

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 5      PENSION PLAN

**Discount rate.** The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Employer's proportionate share of the net pension liability	\$ 380,399	\$ 281,671	\$ 199,625

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

NOTE 6      CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2020:

Property, Plant, & Equipment	\$ 307,470
Less Accumulated Depreciation	<u>(205,593)</u>
Net Capital Assets	<u><u>\$ 101,877</u></u>

Depreciation expense for the year ended June 30, 2020 was \$28,923 and is reported in the government-wide statement of activities as vocation education expenses.

Roughrider Area Career and Technology Center  
Notes to Basic Financial Statements  
June 30, 2020

NOTE 6      CAPITAL ASSETS – CONTINUED

Following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2020:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Balance, June 30, 2019	\$ 261,797	\$ 176,670	\$ 85,127
Purchases, Fiscal Year 2020	45,673	-	45,673
Disposals, Fiscal Year 2020	-	-	-
Depreciation Expense, Fiscal Year 2020	-	28,923	(28,923)
Balance, June 30, 2020	<u>\$ 307,470</u>	<u>\$ 205,593</u>	<u>\$ 101,877</u>

NOTE 7      CONTINGENCIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (COVID-19) originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

Due to the nature of the organization already operating through a virtual delivery system, there were no additional measures established to operate during the pandemic.

***REQUIRED SUPPLEMENTARY  
INFORMATION***

ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER  
Required Supplementary Information  
For the Year Ended June 30, 2020

Schedule of Employer's Share of Net Pension Liability  
ND Teachers' Fund for Retirement  
Last 10 Fiscal Years \*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.02045163%	0.02039542%	0.02049717%	0.01468699%	0.026034%	2.754000%
Employer's proportionate share of the net pension liability (asset)	\$ 281,671	\$ 271,842	\$ 281,534	\$ 215,173	\$ 340,487	\$ 288,570
Employer's covered payroll	\$ 143,474	\$ 138,650	\$ 138,350	\$ 95,425	\$ 160,136	\$ 159,749
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	196.32%	196.06%	203.49%	225.49%	212.62%	180.64
Plan fiduciary net position as a percentage of the total pension liability	65.5%	72.5%	63.2%	59.2%	12.75%	10.75%

\* Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions  
ND Teachers' Fund for Retirement  
Last 10 Fiscal Years \*

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 25,331	\$ 18,293	\$ 17,678	\$ 17,640	\$ 12,167	\$ 20,416
Contributions in relation to the statutorily required contribution	\$ (25,331)	\$ (18,293)	\$ (17,678)	\$ (17,640)	\$ (12,167)	\$ (20,416)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 198,675	\$ 138,650	\$ 138,650	\$ 138,350	\$ 95,425	160135
Contributions as a percentage of covered payroll	12.75%	13.19%	12.75%	12.75%	12.75%	12.75%

\* Complete data for this schedule is not available prior to 2014.

Data reported is measured as of 7/1/2019

Roughrider Area Career and Technology Center  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual (Budgetary Basis)	
REVENUES				
Interest Income	\$ 400	\$ 400	\$ 772	\$ 372
District Fees	230,000	230,000	213,451	(16,549)
State Grant	490,000	490,000	457,558	(32,442)
TOTAL REVENUES	720,400	720,400	671,781	(48,619)
EXPENDITURES				
Current:				
Salaries	253,675	253,675	253,758	(83)
Employee Benefits	45,237	45,237	47,358	(2,121)
Purchased Services	265,000	265,000	215,969	49,031
Supplies	47,000	47,000	50,863	(3,863)
Equipment	60,000	60,000	53,770	6,230
Administration	43,300	43,300	33,805	9,495
Other	3,500	3,500	5,838	(2,338)
TOTAL EXPENDITURES	717,712	717,712	661,361	56,351
Change in Fund Balance	2,688	2,688	10,420	7,732
Fund Balance - July 1, 2019	221,451	221,451	221,451	-
FUND BALANCE - JUNE 30, 2020	\$ 224,139	\$ 224,139	\$ 231,871	\$ 7,732

Roughrider Area Career and Technology Center  
Notes to Required Supplementary Information  
June 30, 2020

NOTE 1      CHANGES OF ASSUMPTIONS- ND TEACHERS' FUND FOR RETIREMENT

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

NOTE 2      BUDGET

Based upon available financial information and requests by the governing board, the Director prepares the preliminary budget. The Center's budget is prepared for the General Fund by function and activity on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before August 15, the board adopts the final budget. The final budget must be filed with the County Auditor by August 25. The governing board may amend the budget during the year for any revenues, and budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

NOTE 3      ENCUMBRANCES

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The Center does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General Fund, enables the Center to record purchase orders, contracts, and other commitments for the expenditure of monies in order to assign that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to-actual statements and as assignments of fund balance on the balance sheet.

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*

Governing Board  
Roughrider Area Career and Technology Center  
Hebron, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Roughrider Area Career and Technology Center, Hebron, North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Roughrider Area Career and Technology Center's basic financial statements and have issued our report thereon dated April 26, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Roughrider Area Career and 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Roughrider Area Career and Technology Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Roughrider Area Career and Technology Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompany schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiency 2020-001 in the accompanying schedule of findings to be a material weakness.

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. We consider deficiency 2020-002 described in the accompanying schedule of findings to be a significant deficiency.

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*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Roughrider Area Career and Technology Center'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*.

**Roughrider Area Career and Technology Center's Response to Findings**

Roughrider Area Career and Technology Center's response to the findings identified in our audit is described in the accompanying schedule of findings. Roughrider Area Career and Technology Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
April 26, 2021

Roughrider Area Career and Technology Center  
Schedule of Findings  
For the Year Ended June 30, 2020

***Material Weakness***

**2020-001: Segregation of Duties**

Condition – The Center has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual handles or has access to a transaction from its inception to its completion.

Cause – There are limited individuals to perform tasks due to the small size of the Center.

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

Recommendation – The most effective controls lie in the board's knowledge of matters relating to the organization's operations. Board members should periodically review documentation supporting individual transactions.

Management's Response – The Center is aware of the condition and will add controls where feasible.

***Significant Deficiency***

**2020-002 Preparation of Financial Statements**

Condition – The financial statements and related notes are prepared by the Center's auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Cause – Limited time and resources of the Center to prepare the financial statements in the format required in conformity with accounting principles generally accepted in the United States of America.

Effect – An increased risk of material misstatement in the Center's financial statements.

Recommendation – The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the financial statements even if the auditor assisted in drafting the financial statements and notes.

Management's Response – The Center is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the Center.