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January 29, 2025

Dave Skogen  
New Rockford-Sheyenne Public School District No. 2  
437 1<sup>st</sup> Ave N  
New Rockford, ND 58356

Dear Mr. Skogen,

This letter is to inform you of the petition audit of New Rockford-Sheyenne PSD and to confirm our understanding of the services we are to provide for New Rockford-Sheyenne PSD for the year ended June 30, 2024.

This audit is being conducted pursuant to a petition under North Dakota Century Code (NDCC) 54-10-15, which is as follows:

**Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, upon petition, or upon request of the state court administrator.**

The state auditor, by duly appointed deputy auditors or other authorized agents, shall audit or review the books, records, and financial accounts of any political subdivision when ordered by the governor or the legislative audit and fiscal review committee, requested by the governing board, or upon petition of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, **in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election**, or upon the request of the state court administrator with respect to clerk of district court services provided by a county in accordance with chapter 27-05.2. Fees for the audits must be paid in accordance with the provisions of section 54-10-14.

**Audit Scope and Objectives**

We will audit the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, that collectively comprise the basic financial statements of New Rockford-Sheyenne PSD as of and for the year ended June 30, 2024. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement New Rockford-Sheyenne PSD's basic financial statements. Such information, although not part of the basic financial statements, is required by the Government 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.

As part of our engagement, we will apply certain limited procedures to New Rockford-Sheyenne PSD's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial

statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Budgetary Comparison Schedules (general fund & major special revenue funds)
- Pension and other postemployment benefit schedules

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of your accounting records of New Rockford-Sheyenne PSD and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, Government Auditing Standards do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only by the addressee, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

If sending potentially confidential files, please use our Secure File Transfer System (<https://secure.intranetapps.nd.gov/itd/filetransfer/login.htm>). If you need assistance with this system, please notify us.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management Override of Controls – Because management is primarily responsible for the design, implementation, and maintenance of internal controls, the entity can be exposed to this type of risk.

Our audit of financial statements does not relieve you of your responsibilities.

#### **Audit Procedures – Internal Control**

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

#### **Audit Procedure-Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of New Rockford-Sheyenne PSD's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not

be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Other Services**

We will also assist in preparing the financial statements and related notes of New Rockford-Sheyenne PSD (See attached Non-Audit Service Checklist) in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These non-audit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other non-audit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the non-audit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Responsibilities of Management for the Financial Statements**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1)

management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to New Rockford-Sheyenne PSD however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of the Office of the State Auditor. Once an audit is complete most of our audit documentation is public information. This audit documentation is therefore subject to inspection in our office with prior authorization by the State Auditor, Deputy Auditor, or Audit Managers. Any confidential information or data in our work papers will be safeguarded from public disclosure. Management is responsible for informing us of any confidentiality provisions related to documentation provided to the State Auditor's Office.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

Mike Scherr is the audit manager and is responsible for supervising the engagement. The North Dakota State Auditor will sign the report. We will be in the fieldwork stage in February 2025 and will issue our report upon completion.

Our fee for services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees may include progress billings along with a final billing upon completion.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report or any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Copies of our latest peer review reports may be found online at <https://www.nd.gov/auditor/about-us/peer-review-reports>

## Reporting

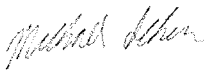
We will issue a written report upon completion of our audit of New Rockford-Sheyenne PSD's financial statements. Our report will be addressed to the board of New Rockford-Sheyenne PSD. Circumstances may arise in which our report may differ from its expected form based on the results of our audit.

Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from the engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that New Rockford-Sheyenne PSD is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to New Rockford-Sheyenne PSD and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,



Michael Scherr  
Audit Manager, Division of Local Government Audit

**Non-Audit Service Checklist - New Rockford-Sheyenne PSD, 2024**

Below is a list of tasks that will need to be completed during the audit process. Please read through the listing and indicate, in the appropriate column, which items you would like to prepare and which items you would like us to prepare as a nonaudit service.

	Client Prepared	SAO Prepared
<b>Cash</b>		
GASB 40 Note Disclosure		X
<b>Receivables</b>		
Listing of Potential Receivables (Accounts/Intergovernmental/Loans/Contracts)	X	
Activity of Loans Receivable (If applicable)	X	
<b>Taxes Receivable</b>		
Taxes Receivable Listing by Func		X
Listing of Tax Abatements for GASB 77 Note Disclosure		X
<b>Capital Assets</b>		
Listing of Capital Asset Additions and Deletions		X
Year End Capital Asset Listing - Formatting and Updating the Current Schedule		X
Depreciation Amounts by Asset and Total Depreciation by Function		X
Activity of any Construction in Progress project	X	
Listing of Leases and Current Year activity that fall under GASB 8;		X
Listing of Subscription Based IT Arrangement (SBITA) agreements and current year activity that fall under GASB 9		X
Lease asset and lease liability calculator		X
SBITA asset and SBITA liability calculator		X
<b>Payables</b>		
Listing of Potential Accounts/Salaries/Retainage Payables and/or Unearned Revenue:	X	
Construction Commitments at year end for Note Disclosure	X	
<b>Long Term Debt</b>		
Summary of Debt Activity for bonds, loans, line of credits, notes payable including but not limited to the following:		
<i>New Issuances</i>	X	
<i>Principal and Interest Payments</i>	X	
<i>Principal Payments Due in One year</i>	X	
Interest Payable at year end		X
5 year amortization schedule of long term debt amounts at year end		X
<b>Revenue</b>		
Schedule of Expenditures of Federal Awards for the year under audit (Client will confirm SEFA)		X
<b>Payroll/Comp Abs</b>		
Listing of Compensated Absences by Department and by Employer	X	
Relating to Net Pension and OPEB Liability		
<i>Calculation of Net Pension and OPEB Liability</i>		X
<i>Deferred Outflows and Deferred Inflows</i>		X
<i>Note Disclosure for Net Pension Liability and for OPEB Liability</i>		X
<i>RSI Note Disclosure for Net Pension Liability and for OPEB Liability</i>		X
<b>Financial Statements and Notes</b>		
Worksheets for each major fund and total nonmajor funds		X
Fund Level Balance Sheet		X
Fund Level Statement of Revenues, Expenditures, and Changes in Fund Balance (Income Statement)		X
GASB Crosswalk (Adjustments for the Statement of Activities and Net Position by function)		X
Net Position Allocation (Allocation of Restricted and Unrestricted Net Position by function)		X
Government Wide Statement of Net Position		X
Government Wide Statement of Activities		X
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position		X
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities		X
Notes to the Financial Statements		X
Notes to the Required Supplementary Information		X
Budgetary Comparison Schedules		X
 Does client want nonaudited financial statements:	No	

\_\_\_\_\_  
Certified Official

RESPONSE:

This letter correctly sets forth the understanding of New Rockford-Sheyenne PSD.

BY: *Jared Skogen*

TITLE: *Business Manager*

DATE: *2/3/25*

CC: Board Chair