

***ROLETTE PUBLIC SCHOOL
DISTRICT NO. 29***

AUDIT REPORT

JUNE 30, 2015

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
ROLETTE, NORTH DAKOTA

TABLE OF CONTENTS
For The Year Ended June 30, 2015

	PAGE(S)
AUDITOR'S REPORTS:	
Independent Auditor's Report	1 – 3
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Assets and Liabilities – Fiduciary Funds	10
<i>Notes to Basic Financial Statements</i>	11 – 27
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Employer's Share of Net Pension Liability – ND Teachers' Fund for Retirement	28
Schedule of Employer Contributions – ND Teachers' Fund for Retirement	28
Schedule of Employer's Share of Net Pension Liability – ND Public Employees Retirement System	29
Schedule of Employer Contributions – ND Public Employees Retirement System	29
Budgetary Comparison Schedule – General Fund	30

Notes to Required Supplementary Information	31
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SUPPLEMENTARY REPORTS:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32 – 33
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Schedule of Findings	34 – 35
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Rolette Public School District No. 29
Rolette, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rolette Public School District No. 29, Rolette, North Dakota, as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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, each major fund, and the aggregate remaining fund information of the Rolette Public School District No. 29, Rolette, North Dakota as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Notes 1 and 11 to the financial statements, Rolette Public School District No. 29 adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of *GASB Statement No. 27*. As discussed in Notes 1 and 11 to the financial statements, Rolette Public School District No. 29 has restated the previously reported net position to account for pension liabilities and expenses in accordance with this Statement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the District share of net pension liability and employer contributions – ND Teachers' Fund for Retirement on page 28, the District's share of net pension liability and employer contributions – ND Public Employees Retirement System on page 29, and the budgetary comparison information on pages 30 through 31 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. The schedule of the District's share of net pension liability – ND Teachers' Fund for Retirement and ND Public Employees Retirement System, and the schedule of employer contributions – ND Teachers' Fund for Retirement and ND Public Employees Retirement System do not present comparative information in all areas due to the adoption of GASB Statement No. 68 as the restatement of the prior year was not practical and complete data for the schedules was not available for the prior year. 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.

INDEPENDENT AUDITOR'S REPORT

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of Rolette Public School District No. 29'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 the Rolette Public School District No. 29's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
October 29, 2018

Rolette Public School District No. 29

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 506,456
Investments	314,649
Due from County Treasurer	1,473
Accounts Receivable, Net	100,873
Taxes Receivable, Net	22,903
Capital Assets	
Land	7,500
Buildings	1,541,940
Equipment	193,064
Less Accumulated Depreciation	<u>(1,283,238)</u>
Total Capital Assets, Net of Depreciation	<u>459,266</u>
TOTAL ASSETS	1,405,620
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pensions	181,742
LIABILITIES	
Accrued Salaries/Benefits Payable	16,288
Accounts Payable	1,959
Long-Term Liabilities	
Due After One Year:	
Net Pension Liability	2,000,298
Compensated Absences	<u>14,477</u>
Total Liabilities	<u>2,033,022</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pensions	238,946
NET POSITION	
Net Investment in Capital Assets	459,266
Restricted for:	
Special Reserve	108,740
Capital Projects	106,137
Unrestricted	<u>(1,358,749)</u>
TOTAL NET POSITION	<u>\$ (684,606)</u>

Rolette Public School District No. 29
Statement of Activities
For the Year Ended June 30, 2015

	Program Revenues		Net (Expense) Revenue & Changes in Net Assets
Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Functions/Programs			
Governmental Activities			
Instruction & Instruction-Related Services	\$ 1,828,021	\$ -	\$ 232,711
School Administration & Support Services	423,102	-	-
Student Support Services	394,891	45,281	57,957
Total Primary Government	\$ 2,646,014	\$ 45,281	\$ 290,668
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose			422,132
Property Taxes, Levied for Special Reserve			12,208
Property Taxes, Levied for Capital Projects			49,059
State Aid			1,856,688
Unrestricted Investment Earnings			6,089
Other Revenues			45,211
Total General Revenues			2,391,387
Change in Net Position			81,322
Net Position - Beginning of Year			1,327,236
Prior Period Adjustment (See Note 11)			(2,093,164)
Net Position - Beginning of Year as Restated			(765,928)
Net Position - End of Year			\$ (684,606)

Rolette Public School District No. 29
Balance Sheet - Governmental Funds
June 30, 2015

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Special Reserve	Capital Projects		
ASSETS					
Cash and Cash Equivalents	\$ 350,387	\$ 24,078	\$ 76,509	\$ 55,482	\$ 506,456
Investments	200,000	84,649	-	30,000	314,649
Due from County Treasurer	1,407	13	53	-	1,473
Accounts Receivable	100,623	-	-	250	100,873
Taxes Receivable, Net	19,467	577	2,859	-	22,903
Due from General Fund	-	-	26,716	-	26,716
TOTAL ASSETS	\$ 671,884	\$ 109,317	\$ 106,137	\$ 85,732	\$ 973,070
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Salaries/Benefits Payable	\$ 16,288	\$ -	\$ -	\$ -	\$ 16,288
Accounts Payable	1,959	-	-	-	1,959
Due to Other Funds	26,716	-	-	-	26,716
Total Liabilities	44,963	-	-	-	44,963
Deferred Inflows of Resources					
Uncollected Taxes	19,467	577	2,859	-	22,903
Total Liabilities and Deferred Inflows of Resources	64,430	577	2,859	-	67,866
Fund Balances:					
Restricted for Special Reserve	-	108,740	-	-	108,740
Restricted for Capital Projects	-	-	103,278	-	103,278
Assigned for Housing	-	-	-	57,591	57,591
Unassigned	607,454	-	-	28,141	635,595
Total Fund Balances	607,454	108,740	103,278	85,732	905,204
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 671,884	\$ 109,317	\$ 106,137	\$ 85,732	\$ 973,070

Rolette Public School District No. 29
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 For the Year Ended June 30, 2015

Total fund balances - governmental funds	\$	905,204
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Capital Assets	\$	1,742,504
Accumulated Depreciation		<u>(1,283,238)</u>
		459,266
<p>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.</p>		
		181,742
<p>The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.</p>		
		(2,000,298)
<p>Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.</p>		
		(238,946)
<p>Property taxes 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.</p>		
		22,903
<p>Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Compensated Absences Payable		<u>(14,477)</u>
Net position of governmental activities	\$	<u>(684,606)</u>

Rolette Public School District No. 29
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Special Reserve	Capital Projects		
REVENUES					
Property Taxes & Revenue in Lieu	\$ 420,628	\$ 11,631	\$ 48,697	\$ -	\$ 480,956
State Aid	1,856,688	-	-	1,155	1,857,843
Federal Aid	232,711	-	-	56,802	289,513
Tuition	1,550	-	-	-	1,550
Charges for Services	-	-	-	52,647	52,647
Earnings on Investments	4,735	1,320	-	34	6,089
Other Sources	25,398	-	51	10,846	36,295
TOTAL REVENUES	2,541,710	12,951	48,748	121,484	2,724,893
EXPENDITURES					
Current:					
Regular Education Programs	1,354,332	-	-	-	1,354,332
Title Programs	134,903	-	-	-	134,903
Other Federal Programs	72,058	-	-	-	72,058
Improvement of Instruction Service	1,414	-	-	-	1,414
Instructional Media Service	3,217	-	-	-	3,217
School Board	69,609	-	-	-	69,609
Executive Administration	75,136	-	-	-	75,136
Supportive Service - Business	66,339	-	-	-	66,339
Operation & Maintenance	168,948	-	-	6,947	175,895
Other Instruction Support Service	32,264	-	-	-	32,264
Student Activities	81,080	-	-	-	81,080
Student Transportation	180,849	-	-	-	180,849
Construction Services	-	-	23,186	-	23,186
Vocational Education	101,176	-	-	-	101,176
Special Education	137,797	-	-	-	137,797
Food Service	52,623	-	-	80,339	132,962
TOTAL EXPENDITURES	2,531,745	-	23,186	87,286	2,642,217
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,965	12,951	25,562	34,198	82,676
Fund Balances - July 1, 2014	597,489	95,789	77,716	51,534	822,528
FUND BALANCES - JUNE 30, 2015	\$ 607,454	\$ 108,740	\$ 103,278	\$ 85,732	\$ 905,204

Rolette Public School District No. 29
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the year ended June 30, 2015

Net change in fund balances - total governmental funds \$ 82,676

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 capital outlays exceeded depreciation expense in the current period.

Current Year Capital Outlay	\$ -	
Current Year Depreciation Expense	<u>(38,113)</u>	(38,113)

Governmental funds report the pension expense as accrued for actual salaries paid in the expenditures. However in the statement of activities, the pension expense is an actuarial calculation of the cost of the plan accounting for projected future benefits, plan earnings, and contributions. 35,662

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 2,443

Compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Compensated absences increased by this amount this year. (1,346)

Change in net position of governmental activities \$ 81,322

Rolette Public School District No. 29
Statement of Assets and Liabilities - Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 18,784
TOTAL ASSETS	<u>\$ 18,784</u>
 LIABILITIES	
Due to Student Activities Groups	\$ 18,784
TOTAL LIABILITIES	<u>\$ 18,784</u>

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rolette Public School District No. 29 complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

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

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

The District receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the District as a reporting entity and the District is not includable as a component unit within another reporting entity.

B. 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 fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

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 items not properly included among program revenues are reported instead as general revenues.

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 District has no proprietary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 District has presented the following major funds:

General Fund: The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Reserve Fund: The Special Reserve Fund is allowed under North Dakota state law and may levy a tax to be used if the general fund has funds insufficient to pay for teacher salaries, heat, light and fuel.

Capital Projects Fund: The Capital Projects Fund is used to account for taxes assessed and expended for capital projects.

The agency fund accounts for assets held by the District in a purely custodial capacity and is not included in the government-wide statements. Since the agency fund is custodial in nature, it does not involve the measurement of results of operations. The District has one agency fund which account for monies due to student groups.

C. 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. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of governmental funds.

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.

E. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balances is provided at year-end.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of amounts in demand deposits, savings accounts, and certificates of deposit with a maturity of three months or less when purchased.

Credit Risk:

The 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.

Investments are stated at fair value for debt securities as required by GASB 31 and cost for certificates of deposit. All investments are reported at current fair market value.

The District has not adopted a policy limiting the amount that can be invested with any one issuer.

G. Inventory

A food inventory for the Food Service Fund is not recorded at year end because it is immaterial. School supplies are considered to be an expense in the year they are appropriated.

H. Capital Assets

Capital assets include buildings and machinery and equipment and are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25-50 years
Machinery and Equipment	5-20 years

I. Compensated Absences

For teachers, sick leave is compensated at termination of employment at \$20 per day to a maximum of 60 days. Personal leave is paid at sub-pay (\$125 per day) up to a maximum of 3 days.

For staff, sick leave is compensated at termination of employment at \$20 per day to a maximum of 60 days. No personal days are granted for staff and their vacation is on a use it or lose it policy.

A long-term liability for accrued leave as of June 30 has been recorded in the government-wide statements.

J. Estimates

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

K. 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 school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Deferred Inflows/Outflows of Resources

Deferred inflows of resources in the fund financial statements consists of amounts 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 and include uncollected taxes.

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 or 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 10 for additional information.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. 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 school board – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

N. 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 the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS’s fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. 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.

O. New GAAP Implementation

Beginning in fiscal year 2015, the District implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, which provides information about financial support for pensions. This statement requires net pension liability to be reported on the face of the financial statements. A prior period adjustment of (\$2,093,164) was made to unrestricted net position to account for these items. Notes 10 and 11 contain additional information on this adjustment.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 2 DEPOSITS

In accordance with North Dakota statutes, the District maintains deposits at 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 institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the 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 entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

As of June 30, 2015, the District's carrying balances were \$821,105 for governmental funds and \$18,784 for agency funds. The bank balance of these deposits as of June 30, 2015 was \$903,079. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and \$403,079 was collateralized with securities held by the pledging financial institutions' agent not in the District's name. During the fiscal year ended June 30, 2015, the board did not review the pledge of securities semi-annually as required by state law.

NOTE 3 INVESTMENTS

At June 30, 2015, the District's investments were held in certificates of deposit. These investments are reported at fair market value. The interest rates earned on the certificates range from 0.25 percent to 1.75 percent.

NOTE 4 PROPERTY TAX

Under state law, the District is limited in its ability to levy property taxes. All school tax levies are in compliance with state laws. Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and remitted monthly to the school.

In its fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Taxes receivable consist of current and delinquent uncollected taxes at June 30. No allowance has been established for estimated uncollectible taxes because an offsetting deferred revenue has been recorded.

In the government-wide financial statements, property taxes are recorded as a receivable and revenue when assessed.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of reimbursements due for expenses in the operation of various school programs, including state reimbursements, and charges for services.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 6 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of cash on hand for taxes collected but not remitted to the District at June 30.

NOTE 7 CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2015:

	June 30, 2014	Increases	Decreases	June 30, 2015
Capital assets not being depreciated				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Capital assets being depreciated				
Buildings	1,541,940	-	-	1,541,940
Equipment	204,064	-	11,000	193,064
Total capital assets, being depreciated	1,746,004	-	11,000	1,735,004
Less accumulated depreciation for				
Buildings	1,131,556	23,909	-	1,155,465
Equipment	124,569	14,204	11,000	127,773
Total accumulated depreciation	1,256,125	38,113	11,000	1,283,238
Total capital assets being depreciated, net	489,879	(38,113)	-	451,766
Total capital assets, net	\$ 497,379	\$ (38,113)	\$ -	\$ 459,266

Depreciation expense for the year ended June 30, 2015 was \$38,113 and is reported in the government-wide statement of activities. Depreciation charged to instruction and instruction-related services is \$23,909 and school administration and support services is \$14,204.

NOTE 8 SALARIES AND BENEFITS PAYABLE

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

NOTE 9 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2015:

	Balance 6/30/14	Increases	Balance 6/30/15	Due Within One Year
Compensated Absences *	\$ 13,131	\$ 1,346	\$ 14,477	\$ -
Total	\$ 13,131	\$ 1,346	\$ 14,477	\$ -

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 10 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, 2015 are as follows:

Deferred Outflows of Resources	
Derived from pension - TFFR	\$ 161,379
Derived from pension - NDPERS	20,363
Total	<u>\$ 181,742</u>
Deferred Inflows of Resources	
Derived from pension - TFFR	\$ 210,940
Derived from pension - NDPERS	28,006
Total	<u>\$ 238,946</u>

Note 12 of the financial statements contain detail of the pension plans.

NOTE 11 RESTATEMENT OF NET POSITION

The beginning net position has been restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The effect on beginning net position is as follows:

Net Position - Beginning of Year, as previously reported	\$ 1,327,236
Restatement of accounting for pensions	<u>(2,093,164)</u>
Net Position - Beginning of Year, as restated	<u>\$ (765,928)</u>

NOTE 12 PENSION PLANS

1. North Dakota Teacher's Fund for Retirement

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

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

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.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

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 must 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.

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.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

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 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.

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

At June 30, 2015, the District reported a liability of \$1,856,826 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2014, the District's proportion was 0.177208%.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

For the year ended June 30, 2015, the District recognized pension expense of \$112,870. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,198	\$ -
Net difference between projected and actual earnings on pension plan investments	-	210,940
Employer contributions subsequent to the measurement date (see below)	147,181	-
Total	\$ 161,379	\$ 210,940

\$147,181 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

	For the year ended June 30,
2016	\$ (50,369)
2017	(50,369)
2018	(50,369)
2019	(50,369)
2020	2,366
Thereafter	2,366

Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	4.50% to 14.75% varying by service, including inflation and productivity
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

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

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumption used in the July 1, 2014, funding actuarial valuations for TFFR.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. 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, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. 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, 2014.

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Employer’s proportionate share of the net pension liability	\$ 2,507,059	\$ 1,856,826	\$ 1,309,960

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. That report may be obtained by writing to Teachers Fund For Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota 58507-7100.

2. North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

At June 30, 2015, the District reported a liability of \$143,472 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2014, the District's proportion was 0.022604%.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

For the year ended June 30, 2015, the District recognized pension expense of \$14,196. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,652	\$ -
Net difference between projected and actual earnings on pension plan investments	-	28,006
Employer contributions subsequent to the measurement date (see below)	15,711	-
Total	\$ 20,363	\$ 28,006

\$15,711 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

For the year ended June 30,		
2016	\$	(6,012)
2017		(6,012)
2018		(6,012)
2019		(6,012)
2020		693
Thereafter		-

Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3.50%
Salary Increases		3.85% per annum for four years, then 4.50% per annum
Investment rate of return		8.00%, net of investment expenses
Cost-of-living adjustments		None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 12 PENSION PLANS – CONTINUED

The actuarial assumptions used were based on the resulted of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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 Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. 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, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. 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, 2014.

Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Employer's proportionate share of the net pension liability	\$ 221,277	\$ 143,472	\$ 78,417

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2015

NOTE 13 RISK MANAGEMENT

The Rolette Public School District No. 29 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 (NDRF), 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 District pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, North Dakota fire and tornado fund, and employee health and accident insurance. Any settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 14 EXPENDITURES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2015, the General fund was expensed in excess of budget for certain line items, and as a whole the expenses were over budget by \$38,712. No remedial action is anticipated.

NOTE 15 INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2015, interfund receivables and payables totaled \$26,716 for remodeling/HVAC property tax receipts deposited in the general fund that should be reported in the building fund. The revenues were correctly reported in the building fund but the cash was deposited in the general fund.

***REQUIRED
SUPPLEMENTARY INFORMATION***

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
 Required Supplementary Information
 For the Year Ended June 30, 2015

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

	2015
Employer's proportion of the net pension liability (asset)	0.177208%
Employer's proportionate share of the net pension liability (asset)	\$ 1,856,826
Employer's covered-employee payroll	\$ 1,027,903
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.64%
Plan fiduciary net position as a percentage of the total pension liability	66.6%

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

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

	2015
Statutorily required contribution	\$ 110,498
Contributions in relation to the statutorily required contribution	\$ (110,498)
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$ 1,027,903
Contributions as a percentage of covered-employee payroll	10.75%

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

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
 Required Supplementary Information
 For the Year Ended June 30, 2015

Schedule of Employer's Share of Net Pension Liability
 ND Public Employees Retirement System
 Last 10 Fiscal Years *

	2015
Employer's proportion of the net pension liability (asset)	0.022604%
Employer's proportionate share of the net pension liability (asset)	\$ 143,472
Employer's covered-employee payroll	\$ 190,403
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.70%

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

Schedule of Employer Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years *

	2015
Statutorily required contribution	\$ 13,557
Contributions in relation to the statutorily required contribution	\$ (13,557)
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$ 190,403
Contributions as a percentage of covered-employee payroll	7.12%

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

Rolette Public School District No. 29
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property Taxes & Revenue in Lieu	\$ 360,000	\$ 360,000	\$ 420,628	\$ 60,628
State Aid	1,813,167	1,813,167	1,856,688	43,521
Federal Aid	225,042	224,000	232,711	8,711
Tuition	1,000	1,000	1,550	550
Earnings on Investments	4,000	4,000	4,735	735
Other Sources	<u>8,000</u>	<u>8,000</u>	<u>25,398</u>	<u>17,398</u>
TOTAL REVENUES	<u>2,411,209</u>	<u>2,410,167</u>	<u>2,541,710</u>	<u>131,543</u>
EXPENDITURES				
Current:				
Regular Education Programs	1,341,386	1,368,981	1,354,332	14,649
Title Programs	156,637	155,398	134,903	20,495
Other Federal Programs	54,643	54,643	72,058	(17,415)
Improvement of Instruction Service	4,250	4,250	1,414	2,836
Instructional Media Service	3,250	3,250	3,217	33
School Board	81,920	81,710	69,609	12,101
Executive Administration	55,745	55,745	75,136	(19,391)
Supportive Service - Business	66,349	66,049	66,339	(290)
Operation & Maintenance	176,705	176,705	168,948	7,757
Other Instruction Support Service	14,750	14,750	32,264	(17,514)
Student Activities	91,750	91,750	81,080	10,670
Student Transportation	166,000	166,000	180,849	(14,849)
Vocational Education	100,187	103,187	101,176	2,011
Special Education	98,405	98,405	137,797	(39,392)
Food Service	<u>-</u>	<u>52,210</u>	<u>52,623</u>	<u>(413)</u>
TOTAL EXPENDITURES	<u>2,411,977</u>	<u>2,493,033</u>	<u>2,531,745</u>	<u>(38,712)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(768)	(82,866)	9,965	92,831
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCES	(15,768)	(97,866)	9,965	107,831
Fund Balances - July 1, 2014	<u>597,489</u>	<u>597,489</u>	<u>597,489</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2015	<u>\$ 581,721</u>	<u>\$ 499,623</u>	<u>\$ 607,454</u>	<u>\$ 107,831</u>

Rolette Public School District No. 29
Notes to Required Supplementary Information
June 30, 2015

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund and special revenue funds. No budget was created for the Special Reserve Fund. The following procedures are used 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 August 15 each year.
- The taxes levied must be certified to the county auditor by August 25.
- 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.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Governing Board
Rolette Public School District No. 29
Rolette, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rolette Public School District No. 29 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rolette Public School District No. 29'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 Rolette Public School District No. 29's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rolette Public School District No. 29'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 were not identified. However, as described in the accompany schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies 2015-001 and 2015-002 in the accompanying schedule of findings to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rolette Public School District No. 29's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2015-003.

Rolette Public School District No. 29's Responses to Findings

Rolette Public School District No. 29's responses to the findings identified in our audit are described in the accompanying schedule of findings. Rolette Public School District No. 29's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
October 29, 2018

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29

Schedule of Findings

For the Year Ended June 30, 2015

Financial Statement Audit

Finding 2015-001: Segregation of Duties

Condition – The Business Manager is responsible for the majority of accounting functions. Considering the size of the entity, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

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

Cause – There is a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could affect the organization's ability to timely detect misstatements in amounts that would be material to the financial statements.

Recommendation – This is not unusual in organizations of your size, but the board should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response – While more staff associated with financial responsibilities would be advantageous, the ability to add staff is not. The business manager will continue to supply administration and school board the accounts/ledgers.

Finding 2015-002: Preparation of the Financial Statements

Condition – The financial statements and related notes are prepared by the organization's auditors and this included implementation of GASB Statement No. 68.

Criteria – Complete and accurate presentation of the financial statements in conformity with generally accepted accounting principles is required. This included implementation of new accounting standards issued.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the accounting department. Implementation of GASB Statement No. 68 relating to pensions also requires a significant amount of time and research.

Effect – The organization has elected to have the auditors complete the full disclosure financial statements.

Recommendation – The preparation of financial statements by the organization's auditors is not unusual in an organization of this size. Due to the accounting department having adequate accounting knowledge they should continue to review the financial statements and related disclosures.

Management's Response – Management agrees with the necessity for accounting conformities and implementing GASB Statement No. 68.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29

Schedule of Findings

For the Year Ended June 30, 2015

Financial Statement Audit – Continued

Finding 2015-003: Pledges Not Reviewed Semi-Annually

Condition – As of June 30, 2015 the board did not review pledges of securities semi-annually as required by state law.

Criteria – State statutes require that the board review pledges of collateral semi-annually.

Cause – The business manager was not aware of this requirement.

Effect – The board did not review pledges semi-annually as required by state law.

Recommendation – The board should review pledges semi-annually as required by state law.

Management's Response – Pledges will be reviewed semi-annually in the future.