

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

FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER

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SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER  
LIST OF OFFICIALS  
JUNE 30, 2018

BOARD OF DIRECTORS

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

ADMINISTRATION

Jeff Bopp	Director
Mindy Smith	Business Manager

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

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

I have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and aggregate remaining fund information of Sheyenne Valley Area Career & Technology Center as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sheyenne Valley Area Career & Technology Center as of June 30, 2018, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformance with the modified cash basis of accounting.

## Basis of Accounting

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated April 25, 2020, on my considerations of the Center's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control over financial reporting and compliance.

  
West Fargo, North Dakota  
April 25, 2020

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER  
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS  
 JUNE 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	695,124.96
Capital assets (net of accumulated depreciation)	44,696.00
Total Assets	739,820.96
<b>LIABILITIES</b>	
Total liabilities	-
<b>NET POSITION</b>	
Net investment in capital assets	44,696.00
Unrestricted	695,124.96
Total net position	739,820.96

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER  
 STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS  
 YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (expense) Revenue & Change in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Guidance	146,122.06	109,181.80	55,136.59	18,196.33
Health	105,225.49		92,280.53	(12,944.96)
Technology	71,082.23		43,295.98	(27,786.25)
Technology coordinator				-
Construction	87,323.34	31,208.00	38,622.43	(17,492.91)
Automotive	97,315.35		42,687.34	(54,628.01)
Graphic	67,889.98		28,944.91	(38,945.07)
Welding	92,557.96		40,725.51	(51,832.45)
Career resource educator	93,132.69	46,569.00		(46,563.69)
High tech	63,683.58	30,000.00	42,509.28	8,825.70
Repairs and maintenance		4,340.28		4,340.28
ITV	3,500.00			(3,500.00)
Governing board	55,492.82			(55,492.82)
Carl Perkins	29,361.00		47,229.00	17,868.00
Administration	164,050.65		167,580.87	3,530.22
Plant	171,090.73			(171,090.73)
Vehicle	2,469.58	2,000.00		(469.58)
Adult Education	177,805.23		177,805.23	-
Construction house	4,133.51	8,300.00		4,166.49
				-
Depreciation- Unallocated	3,101.00			(3,101.00)
Total Governmental Activities	1,435,337.20	231,599.08	776,817.67	(426,920.45)
General revenues				
Assessments				370,614.00
Admin fees				21,986.00
ITV fees				48,350.00
Other state aid				45,600.00
Interest income and other revenue				19,890.03
Total General Revenues				506,440.03
Change in Net Position				79,519.58
Net Position- July 1				660,301.38
Net Position- June 30				739,820.96

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER  
 BALANCE SHEET- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	GENERAL	OTHER	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and investments	511,056.49	184,068.47	695,124.96
			-
			-
Total Assets	511,056.49	184,068.47	695,124.96
<b>LIABILITIES</b>			
			-
Total liabilities	-	-	-
<b>FUND BALANCE</b>			
			-
Restricted for other purpose		184,068.47	184,068.47
Unassigned	511,056.49	-	511,056.49
Total fund balance	511,056.49	184,068.47	695,124.96
Total liabilities and fund balance	511,056.49	184,068.47	695,124.96

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



SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

Total Fund Balances for Governmental Funds 695,124.96

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

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

Cost of capital assets	44,696.00	
Less accumulated depreciation	-	
Net capital assets		44,696.00

Total Net Position of Governmental Activities 739,820.96

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2018

	GENERAL	OTHER	TOTAL GOVERNMENTAL FUNDS
Assessments	370,614.00	30,000.00	400,614.00
Other local sources	279,184.83	12,640.28	291,825.11
State sources	509,274.16	42,509.28	551,783.44
Federal sources	270,634.23		270,634.23
<b>Total Revenues</b>	<b>1,429,707.22</b>	<b>85,149.56</b>	<b>1,514,856.78</b>
<b>Current:</b>			
<b>Instruction</b>			
Regular programs	507,990.70		507,990.70
Technology	71,082.23		71,082.23
Career Development	146,122.06		146,122.06
High Technology		86,031.58	86,031.58
Construction house		4,133.51	4,133.51
<b>Support Services</b>			-
Administrative	219,543.47		219,543.47
Operation & maintenance	171,090.73	-	171,090.73
Adult education	177,805.23		177,805.23
Career resource	93,132.69		93,132.69
Capital outlays			-
<b>Total Expenditures</b>	<b>1,386,767.11</b>	<b>90,165.09</b>	<b>1,476,932.20</b>
Excess revenues (expenditures)	42,940.11	(5,015.53)	37,924.58
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)			-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>42,940.11</b>	<b>(5,015.53)</b>	<b>37,924.58</b>
Fund balance- beginning	468,116.38	189,084.00	657,200.38
Fund balance- ending	511,056.49	184,068.47	695,124.96

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER  
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances- Total Governmental Funds 37,924.58

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

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

Current year capital outlay	44,696.00	
Current year depreciation expense	3,101.00	41,595.00

Change in Net Position of Governmental Activities 79,519.58

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

SHEYENNE VALLEY AREA CAREER AND TECHNOLOGY CENTER  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2018

	AGENCY FUNDS
ASSETS	
Cash and investments	68,419.37
Total Assets	68,419.37
LIABILITIES	
Due to Student Groups	68,419.37
Total liabilities	68,419.37

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

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

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

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

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

The Center reports the following major governmental funds:

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

The Center reports the other following fund types:

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

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

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

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

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

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

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

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

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

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

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

D. Budgets

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

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.



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

F. Capital Assets

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

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

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

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

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

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

G. Long-Term Obligations

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

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

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

H. Fund Balance

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

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

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

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

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

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

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

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

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

I. Interfund Transactions

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

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

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

J. Use of estimates

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Board did not amend the Center budget for the year.

EXPENDITURES OVER APPROPRIATIONS

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

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

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

At June 30, 2018, the Center's carrying amount of deposits was \$760,034. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$510,034 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the Center to invest in:(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.(2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

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

Concentration of Credit Risk

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

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets, being depreciated				
Vehicles & Equipment	15,505	44,696	15,505	44,696
Less accumulated depreciation for:				
Vehicles & Equip	12,404	3,101	15,505	
Governmental Activities				
Capital Assets, Net	3,101			44,696

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

Governmental Activities:	
Operation and maintenance	3,101

NOTE 5: PENSION PLANS

North Dakota Teachers Fund for Retirement TFFR

The school district contributes to the North Dakota Teachers Fund for retirement (TFFR), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. Detailed information about the report may be obtained on the NDPERS website <http://ndpers.nd.gov/about/financial/annual-report-archive/>.

Plan members are required to contribute 11.75% of their annual covered salary and the District is required to contribute 12.75% of the teacher's salary. The contributions requirements of plan members and the District are established and may be amended by the State legislature. The District's contributions to TFFR for the fiscal years ended June 30, 2018, 2017 and 2016 were \$191,090, \$159,079, and \$152,521, respectively.

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

North Dakota Public Employees Retirement System

The Center participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employees accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

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

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The Center is required to contribute 7.12% of each participant's salary as the employer's share. The Center is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The Center's contributions to PERS for the fiscal years ending June 30, 2018, 2017, and 2016 were \$14,739, \$14,080, and \$12,882, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website <http://ndpers.nd.gov/about/financial/annual-report-archive/>

NOTE 6: RISK MANAGEMENT

The Center is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The school Center pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the Center with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The Center has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JUNE 30, 2018



SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER  
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# Harold J. Rotunda

## Certified Public Accountant

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

### Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sheyenne Valley Area Career & Technology Center as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated April 25, 2020.

#### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2018-1 and 2018-2).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sheyenne Valley Area Career & Technology Center's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

### **Center's Response to Findings**

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

### **Purpose of this Report**

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



Harold Rotunda, CPA  
April 25, 2020

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

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

Section II- Financial Statement Findings

**2018-001 Segregation of Duties**

**Criteria**

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the Center.

**Condition**

The Business Manager of the Center is responsible for all accounting functions involved. The employee handles all income of monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the Center, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

**Cause**

The Business Manager is the only employee and due to the Center's size, they are unable to hire additional staff.

**Effect**

Lack of segregation of duties leads to a limited degree of internal control.

**Recommendation**

The Center should separate the duties when it becomes feasible.

SHEYENNE VALLEY AREA CAREER & TECHNOLOGY CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2018

**Management's Response**

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Business Manager to receipt and deposit at the various financial institutions. The Superintendent reviews bills before payments are made. The Board reviews and approves all checks written. The Center will segregate other duties when feasible.

**2018-002 Financial Statement Preparation**

**Criteria**

An appropriate system of internal controls requires that a Center make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the Center's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

**Condition**

The Center's auditor prepared the financial statements for the year ended. In addition, adjusting entries were proposed to bring the financial statements into compliance with the modified cash basis of accounting (MCB). An appropriate system of internal controls requires that a Center must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with MCB. This requires the Center's personnel to maintain a working knowledge of current accounting principles in accordance with MCB.

**Cause**

The Center does not have the resources to prepare full modified cash basis financial statements.

**Effect**

The Center currently does not maintain the working knowledge of current accounting principles for the modified cash basis and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with the modified cash basis.

**Recommendation**

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

**Management's Response**

Management agrees that it is currently not cost-effective.