

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

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**June 30, 2018 and 2017**

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**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**OFFICIAL DIRECTORY**  
**June 30, 2018**

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Steve Hall	Chair
Corey Steiner	Vice-Chair
Tim Jacobson	Board Member
Morgan Forness	Board Member
John Porter	Director
Melanie Moffet	Business Manager



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rural Cass County Multi-District Special Education Unit  
Mapleton, North Dakota

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

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Rural Cass County Multi-District Special Education Unit, as of and for the years ended June 30, 2018 and 2017, and the related notes to financial statements, which collectively comprise the Rural Cass County Multi-District Special Education Unit's basic financial statements as listed in the table of contents.

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

The Rural Cass County Multi-District Special Education Unit's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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***

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 from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the Rural Cass County Multi-District Special Education Unit, as of June 30, 2018 and 2017 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

### ***Basis of Accounting***

We 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. Our opinions are not modified with respect to this matter.

### ***Emphasis of a Matter***

As discussed in Note 9 to the financial statements, there was an error in cash and short-term liabilities as of June 30, 2017 that was discovered by management in the current year. Accordingly, an adjustment has been made to net position as of June 30, 2017 to correct the error. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rural Cass County Multi-District Special Education Unit's basic financial statements. The budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2024 on our consideration of Rural Cass County Multi-District Special Education Unit'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 Rural Cass County Multi-District Special Education Unit's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, North Dakota  
January 9, 2024

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**STATEMENTS OF NET POSITION – MODIFIED CASH BASIS**  
**June 30, 2018 and 2017**

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	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 157,149</u>
Total Current Assets	<u>-</u>	<u>157,149</u>
Total Assets	<u>-</u>	<u>157,149</u>
LIABILITIES		
Current Liabilities		
Bank Overdraft	25,640	-
Short-term Note Payable	<u>12,000</u>	<u>12,000</u>
Total Current Liabilities	<u>37,640</u>	<u>12,000</u>
Total Liabilities	<u>37,640</u>	<u>12,000</u>
NET POSITION (DEFICIT)		
Unrestricted (Deficit)	<u>(37,640)</u>	<u>145,149</u>
Total Net Position (Deficit)	<u><u>\$ (37,640)</u></u>	<u><u>\$ 145,149</u></u>

See Notes to Financial Statements

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Special Instruction	\$ 2,588,202	\$ 1,773,273	\$ 845,853	\$ 30,924
Psychological Services	110,980	-	-	(110,980)
Governing Board	21,110	-	-	(21,110)
General Administrative Services	124,426	-	-	(124,426)
Student Transportation	3,868	-	1,297	(2,571)
	<u>\$ 2,848,586</u>	<u>\$ 1,773,273</u>	<u>\$ 847,150</u>	(228,163)
General Revenues				
Miscellaneous				45,374
Total General Revenues				45,374
Change in Net Position				(182,789)
Net Position, Beginning of Year				145,149
Net Position (Deficit), End of Year				<u>\$ (37,640)</u>

See Notes to Financial Statements

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Special Instruction	\$ 2,032,633	\$ 1,503,743	\$ 650,861	\$ 121,971
Psychological Services	64,427	-	-	(64,427)
Other Student Support Services	2,156	-	-	(2,156)
Governing Board	25,666	-	-	(25,666)
General Administrative Services	121,684	-	-	(121,684)
Student Transportation	4,703	-	1,597	(3,106)
	<u>\$ 2,251,269</u>	<u>\$ 1,503,743</u>	<u>\$ 652,458</u>	<u>(95,068)</u>
General Revenues				
Interest and Investment Earnings				12
Miscellaneous				<u>7,096</u>
Total General Revenues				<u>7,108</u>
Change in Net Position				(87,960)
Net Position, Beginning of Year				<u>233,109</u>
Net Position, End of Year				<u><u>\$ 145,149</u></u>

See Notes to Financial Statements



**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**BALANCE SHEETS – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2018 and 2017**

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	General Fund	
	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 157,149
Total Assets	-	157,149
LIABILITIES		
Bank Overdraft	25,640	-
Short-term Note Payable	12,000	12,000
Total Liabilities	37,640	12,000
FUND BALANCE (DEFICIT)		
Unassigned (Deficit)	(37,640)	145,149
Total Fund Balance (Deficit)	(37,640)	145,149
Total Liabilities and Fund Balance (Deficit)	\$ -	\$ 157,149

See Notes to Financial Statements

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Years Ended June 30, 2018 and 2017**

	General Fund	
	2018	2017
REVENUES		
Local Sources	\$ 1,773,273	\$ 1,503,743
State Sources	325,286	135,647
Federal Sources	521,864	516,811
Interest Income	-	12
Miscellaneous Income	45,374	7,096
Total Revenues	2,665,797	2,163,309
EXPENDITURES		
Current		
Special Instruction	2,588,202	2,032,633
Psychological Services	110,980	64,427
Other Student Support Services	-	2,156
Governing Board	21,110	25,666
General Administrative Services	124,426	121,684
Student Transportation	3,868	4,703
Total Expenditures	2,848,586	2,251,269
Excess (Deficiency) of Revenues over Expenditures	(182,789)	(87,960)
FUND BALANCE, BEGINNING OF YEAR	145,149	233,109
FUND BALANCE (DEFICIT), END OF YEAR	\$ (37,640)	\$ 145,149

See Notes to Financial Statements

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018 and 2017**

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

The financial statements of the Rural Cass County Multi-District Special Education Unit, Mapleton, North Dakota (the Unit) are presented on a modified cash basis of accounting. This 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.

**A. Reporting Entity**

The accompanying financial statements present the activities of the Rural Cass County Multi-District Special Education Unit. The Unit has considered all potential component units for which the Unit is financially accountable and other organizations for which the nature and significance of their relationships with the Unit such that exclusion would cause the Unit's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Rural Cass County Multi-District Special Education Unit 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 Rural Cass County Multi-District Special Education Unit.

Based on these criteria, there are no component units to be included within the Rural Cass County Multi-District Special Education Unit as a reporting entity.

**B. Basis of Presentation, Basis of Accounting**

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Rural Cass County Multi-District Special Education Unit). 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, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Unit'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 reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for Unit operations, they are not included in the Unit-wide statements. The Unit considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Unit reports the following major governmental fund:

1. General Fund
  - a. The General Fund is the Unit's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT

### Notes to Financial Statements – Continued

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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 Unit 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 financials would be presented on the accrual basis of accounting.

#### **D. Cash and Investments**

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. 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 uninsured balance.

#### **E. Capital Assets**

Capital assets include land, buildings, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Unit as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

#### **F. Compensated Absences**

Teachers receive 9 annual leave days, any unused annual leave days are bought out at \$70/day.

#### **G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. 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 while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## **H. Fund Balance and Net Position**

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

1. Nonspendable
  - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
  - a. Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed
  - a. A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.
4. Assigned
  - a. Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes but are under the direction of the board and the business manager.
5. Unassigned
  - a. Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the Unit to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Unit to spend unrestricted resources in the following order: committed, assigned, and then unassigned.

## **I. Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the Unit's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

## **J. 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.

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Notes to Financial Statements – Continued**

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**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

Expenditures over Appropriations – General fund expenditures exceeded budgeted amounts for the year ended June 30, 2018.  
Expenditures for special instruction exceeded budgeted amounts for the year ended June 30, 2018.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

In accordance with North Dakota Statutes, the Unit maintains deposits at the depository banks designed 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, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. For the years ended June 30, 2018 and 2017, the Unit's carrying amounts of deposits were (\$25,640) and \$157,149. The bank balances were \$340,683 and \$403,632. Of the bank balances, \$250,000 was covered by Federal Depository Insurance.

*Credit Risk:*

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

- 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.
- 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.
- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- Obligations of the state.

*Interest Rate Risk:*

The Unit does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

*Concentration of Credit Risk:*

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

**NOTE 4 – CAPITAL ASSETS**

At June 30, 2018 and 2017, the Unit had no capital assets that met the capitalization criteria.

**NOTE 5 – RISK MANAGEMENT**

The Unit 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 Unit pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto coverage.

The Unit also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Unit pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

**NOTE 6 – PENSION PLANS**

**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.

**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.

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Notes to Financial Statements – Continued**

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

*Tier 1 Non-Grandfathered*

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

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.



**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Notes to Financial Statements – Continued**

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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. Re-funded 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, 2018 and 2017, if the Unit were to report on the full accrual basis, a liability of \$1,992,073 and \$2,442,378 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2017 and 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2018 and 2017 the Unit's proportion was .145034% and .166709%. The Unit's pension contributions for the years ended June 30, 2018 and 2017 was \$154,732 and \$124,814.

**Actuarial Assumptions**

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

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

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for TFFR.

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

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administration expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2017, are summarized in the following table:

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Notes to Financial Statements – Continued**

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Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	58%	6.70%
Global Fixed Income	23%	0.99%
Global Real Assets	18%	5.20%
Cash Equivalents	1%	0.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2017. 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, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future-plan members and their beneficiaries, as well as projected contributions from future-plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2017. 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, 2017.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report.

**North Dakota Public Employees Retirement 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 nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly 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.

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 for 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.

### **Member and Employer Contributions**

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

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

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

At June 30, 2018 and 2017, if the Unit were to report on the full accrual basis, a liability of \$342,586 and \$212,462 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2017 and 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2018 and 2017 the Unit's proportion was .021314% and .021800%. The Unit's pension contributions for the years ended June 30, 2018 and 2017 was \$13,508 and \$8,519.

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Notes to Financial Statements – Continued**

**Actuarial Assumptions**

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary Increases	Service at Beginning of Year	Increase Rate
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36-40	7.50%
	41-49	6.00%
	50+	5.00%
*Age-based salary increase rates apply for employees with three or more years of service		
Investment rate of return	7.75%, net of investment expense	
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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	0%	0.00%

### **Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

### **NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

#### **North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

### **OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Notes to Financial Statements – Continued**

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2018 and 2017, if the Unit were to report on the full accrual basis, a liability of \$15,909 and \$15,969 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2017 and 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The Unit's proportion of the net pension liability was based on the Unit's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2018 and 2017 the Unit's proportion was .020112% and .020112%. The Unit's pension contributions for the years ended June 30, 2018 and 2017 was \$1,915 and \$1,918.

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**OPEB Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

**NOTE 8 – CONCENTRATIONS**

The Unit receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the Unit's programs and its continued operations.

**NOTE 9 – CORRECTION OF MISSTATEMENT**

It was determined that there was a financial misstatement for the year ended June 30, 2017. The misstatement includes an overstatement of cash and understatement of short-term liabilities. Cash and short-term liabilities have been corrected to reflect the subtractions. The Unit made the following correction:

Net Position and Fund Balance, previously reported	\$	280,543
Cash		(35,434)
Short Term Note Payable		<u>(12,000)</u>
Net Position and Fund Balance, restated	\$	<u><u>233,109</u></u>

**NOTE 10 – SUBSEQUENT EVENTS**

The Unit has evaluated subsequent events through January 9, 2024, the date on which the financial statements were available to be issued.

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended June 30, 2018**

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	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,769,611	\$ 1,773,273	\$ 3,662
State Sources	166,657	325,286	158,629
Federal Sources	507,568	521,864	14,296
Interest Income	30	-	(30)
Miscellaneous Income	-	45,374	45,374
Total Revenues	2,443,866	2,665,797	221,931
EXPENDITURES			
Current			
Special Instruction	2,146,371	2,588,202	(441,831)
Psychological Services	120,563	110,980	9,583
Other Student Support Services	3,000	-	3,000
Governing Board	23,145	21,110	2,035
General Administrative Services	124,440	124,426	14
Student Transportation	5,000	3,868	1,132
Total Expenditures	2,422,519	2,848,586	(426,067)
Excess (Deficiency) of Revenues over Expenditures	21,347	(182,789)	(204,136)
FUND BALANCE, BEGINNING OF YEAR		145,149	
FUND BALANCE (DEFICIT), END OF YEAR		\$ (37,640)	



**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended June 30, 2017**

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	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources	\$ 1,408,000	\$ 1,503,743	\$ 95,743
State Sources	115,000	135,647	20,647
Federal Sources	464,702	516,811	52,109
Interest Income	30	12	(18)
Miscellaneous Income	25,000	7,096	(17,904)
Total Revenues	2,012,732	2,163,309	150,577
EXPENDITURES			
Current			
Special Instruction	2,069,249	2,032,633	36,616
Psychological Services	68,336	64,427	3,909
Other Student Support Services	3,000	2,156	844
Governing Board	21,045	25,666	(4,621)
General Administrative Services	186,194	121,684	64,510
Student Transportation	5,000	4,703	297
Total Expenditures	2,352,824	2,251,269	101,555
Excess (Deficiency) of Revenues over Expenditures	(340,092)	(87,960)	252,132
FUND BALANCE, BEGINNING OF YEAR		233,109	
FUND BALANCE, END OF YEAR		\$ 145,149	



**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**

Board of Directors  
Rural Cass County Multi-District Special Education Unit  
Mapleton, North Dakota

We have audited, 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, the financial statements of the governmental activities and the major fund of the Rural Cass County Multi-District Special Education Unit, as of and for the years ended June 30, 2018 and 2017, and the related notes to financial statements, which collectively comprise the Rural Cass County Multi-District Special Education Unit's basic financial statements, and have issued our report thereon dated January 9, 2024.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Rural Cass County Multi-District Special Education Unit'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 Rural Cass County Multi-District Special Education Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Unit's 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 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 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.

Our 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2018-001 and 2018-002).

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Rural Cass County Multi-District Special Education Unit'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 these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings (2018-003).

### ***Unit's Response to Findings***

Government Auditing Standards require the auditor to perform limited procedures on the Rural Cass County Multi-District Special Education Unit's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The Rural Cass County Multi-District Special Education Unit's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***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 Unit'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 Unit's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC  
Wahpeton, North Dakota  
January 9, 2024

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**SCHEDULE OF CURRENT YEAR FINDINGS**  
**Years ended June 30, 2018 and 2017**

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*2018-001 INADEQUATE SEGREGATION OF DUTIES*

**Criteria**

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

**Condition**

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

**Effect or Potential Effect**

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Unit. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

**Views of Responsible Officials**

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the Unit. The Unit will segregate functions where feasible.

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Schedule of Current Year Findings – Continued**

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*2018-002 FINANCIAL STATEMENT PREPARATION*

**Criteria**

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected.

**Condition**

The Unit does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

**Effect of Potential Effect**

Inadequate controls over financial reporting of the Unit results in more than a remote likelihood that the Unit would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

**Recommendation**

We recommend the Unit be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the Unit should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

**Views of Responsible Officials**

The Unit will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

*2018-003 PLEDGE OF ASSETS*

**Criteria**

The Unit is unable to obtain from financial institutions a pledge of assets that satisfies the requirements of North Dakota Century Code 21-04-09.

**Effect**

The Unit was under collateralized and not in compliance with North Dakota Century Code 21-04-09.

**Recommendation**

We recommend the Unit keep pledges from financial institutions in safe and readily accessible locations to ensure all deposits are adequately covered by FDIC and pledged securities.

**View of Responsible Officials**

The Unit will obtain pledges for future years.

**RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT**  
**Mapleton, North Dakota**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Years ended June 30, 2018 and 2017**

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**Prior Financial Statement Findings**

*2017-1*

A material weakness was reported for inadequate segregation of duties.

**Corrective Action Plan**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Unit. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2018-001.