

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

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June 30, 2019 and 2018

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SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

OFFICIAL DIRECTORY
June 30, 2019

Ginny Buck	Chair
Neil Planteen	Vice-Chair
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Dan Rood	Director
Janel Sayler	Business Manager



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southeast Region Career & Technology Center
Wahpeton, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Region Career & Technology Center, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise Southeast Region Career & Technology Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Southeast Region Career & Technology Center'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, each major fund, and the aggregate remaining fund information of the Southeast Region Career & Technology Center, as of June 30, 2019 and 2018 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 11 to the financial statements, there was an error in cash, capital assets, payroll liabilities, and long-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 Southeast Region Career & Technology Center's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was 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 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 August 17, 2022 on our consideration of Southeast Region Career & Technology Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Region Career & Technology Center's internal control over financial reporting and compliance.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
August 17, 2022

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 535,078	\$ 426,075
Savings and CD's	<u>210,654</u>	<u>207,041</u>
Total Current Assets	745,732	633,116
Capital Assets		
Depreciable, net of accumulated depreciation		
Buildings and Improvements	684,909	564,528
Vehicles	115,893	137,371
Equipment	<u>367,445</u>	<u>188,299</u>
Total Capital Assets	<u>1,168,247</u>	<u>890,198</u>
Total Assets	1,913,979	1,523,314
LIABILITIES		
Current Liabilities		
Payroll Liabilities	11,916	10,270
Current Portion of Long-term Debt		
Notes Payable	<u>23,300</u>	<u>22,501</u>
Total Current Liabilities	35,216	32,771
Due After One Year		
Notes Payable	<u>8,094</u>	<u>31,394</u>
Total Long-term Liabilities	<u>8,094</u>	<u>31,394</u>
Total Liabilities	43,310	64,165
NET POSITION		
Net Investment in Capital Assets	1,136,853	836,303
Unrestricted	<u>733,816</u>	<u>622,846</u>
Total Net Position	<u>\$ 1,870,669</u>	<u>\$ 1,459,149</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Instructional Support Services	\$ 2,302,348	\$ 2,316,122	\$ 1,421,677	\$ 1,435,451
Administration	853,051	-	-	(853,051)
Operations and Maintenance	220,055	-	-	(220,055)
Interest and Other Charges	1,505	-	-	(1,505)
	<u>\$ 3,376,959</u>	<u>\$ 2,316,122</u>	<u>\$ 1,421,677</u>	360,840
General Revenues				
				3,824
				23,100
				23,756
				<u>50,680</u>
				411,520
				1,459,149
				<u>\$ 1,870,669</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Instructional Support Services	\$ 2,422,452	\$ 1,894,875	\$ 1,564,365	\$ 1,036,788
Administration	628,565	-	-	(628,565)
Operations and Maintenance	258,939	-	-	(258,939)
Interest and Other Charges	2,267	-	-	(2,267)
	<u>\$ 3,312,223</u>	<u>\$ 1,894,875</u>	<u>\$ 1,564,365</u>	<u>147,017</u>
General Revenues				
				3,751
				3,600
				<u>16,756</u>
				<u>24,107</u>
				171,124
				<u>1,288,025</u>
				<u>\$ 1,459,149</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

BALANCE SHEETS – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2019 and 2018

	General Fund	
	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 535,078	\$ 426,075
Savings and CD's	210,654	207,041
Total Assets	745,732	633,116
LIABILITIES		
Payroll Liabilities	11,916	10,270
Total Liabilities	11,916	10,270
FUND BALANCE		
Unassigned	733,816	622,846
Total Fund Balance	733,816	622,846
Total Liabilities and Fund Balance	\$ 745,732	\$ 633,116

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

Total Fund Balance - Governmental Funds June 30, 2019	\$	733,816
Total net position reported for government 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 the governmental funds.		
Cost of Capital Assets	1,616,679	
Less Accumulated Depreciation	(448,432)	
Net Capital Assets	<u>1,168,247</u>	1,168,247
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Notes Payable		<u>(31,394)</u>
Total Net Position of Governmental Activities June 30, 2019	\$	<u>1,870,669</u>
Total Fund Balance - Governmental Funds June 30, 2018	\$	622,846
Total net position reported for government 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 the governmental funds.		
Cost of Capital Assets	1,279,209	
Less Accumulated Depreciation	(389,011)	
Net Capital Assets	<u>890,198</u>	890,198
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Notes Payable		<u>(53,895)</u>
Total Net Position of Governmental Activities June 30, 2018	\$	<u>1,459,149</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**
Years Ended June 30, 2019 and 2018

	General Fund	
	2019	2018
REVENUES		
Local Sources	\$ 2,316,122	\$ 1,894,875
State Sources	1,264,449	1,412,826
Federal Sources	157,228	151,539
Interest Income	3,824	3,751
Miscellaneous Income	83,956	20,356
Total Revenues	3,825,579	3,483,347
EXPENDITURES		
Current		
Instructional Support Services	2,617,497	2,513,053
Administration	853,051	628,565
Operations and Maintenance	220,055	258,939
Debt Service		
Principal	22,501	21,739
Interest and Other Charges	1,505	2,267
Total Expenditures	3,714,609	3,424,563
Excess of Revenues over Expenditures	110,970	58,784
FUND BALANCE, BEGINNING OF YEAR	622,846	564,062
FUND BALANCE, END OF YEAR	\$ 733,816	\$ 622,846

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2019 and 2018

Net Change in Fund Balances - Total Government Funds June 30, 2019	\$ 110,970
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 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.	315,149
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	22,501
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	(37,100)
Change in Net Position of Governmental Activities June 30, 2019	<u>\$ 411,520</u>
Net Change in Fund Balances - Total Government Funds June 30, 2018	\$ 58,784
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 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.	90,601
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	21,739
Change in Net Position of Governmental Activities June 30, 2018	<u>\$ 171,124</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS – MODIFIED CASH BASIS
June 30, 2019 and 2018

	Agency Funds	
	2019	2018
Assets		
Cash and Investments	<u>\$ 319,499</u>	<u>\$ 332,729</u>
Total Assets	319,499	332,729
Liabilities		
Due to Groups	<u>319,499</u>	<u>332,729</u>
Total Liabilities	<u>\$ 319,499</u>	<u>\$ 332,729</u>

See Notes to Financial Statements

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southeast Region Career & Technology Center, Wahpeton, North Dakota (the Center) 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 Southeast Region Career & Technology 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. 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 Southeast Region Career & Technology 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 Southeast Region Career & Technology Center.

Based on these criteria, there are no component units to be included within the Southeast Region Career & Technology Center 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 (Southeast Region Career & Technology 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, fees and other non-exchange 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 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 Center operations, they are not included in the center-wide statements. The Center 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 Center reports the following major governmental fund:

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

Additionally, the Center reports the following other type of fund:

1. Fiduciary Funds
 - a. Agency Funds – Used to account for resources held for others in a custodial capacity, the Center's Agency Funds are the Activity and ITV funds.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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.

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 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 Center 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. Vacation Pay and Sick Pay

Employees in job classifications so designated by the board as vacation eligible shall received 10 days for 1-7 years of service, 15 days for 8-15 years of service, and 20 days for 16 and greater years of service. Employees may carry forward vacation days in an amount not to exceed 50% of the number of provided days for the previous year. Employees who leave the Center shall be paid for those unused days at their regular rate of pay.

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 Center to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Center 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 Center'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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER

Notes to Financial Statements – Continued

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.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures exceeded budgeted amounts for the years ended June 30, 2019 and 2018. Expenditures for administration and operations and maintenance exceeded budgeted amounts for the years ended June 30, 2019 and 2018.

NOTE 3 – DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the Center 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, 2019 and 2018, the Center's carrying amounts of deposits were \$1,065,231 and \$965,845. The bank balances were \$1,254,915 and \$1,162,065. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with an irrevocable standby letter of credit held by the pledging financial institution's agent in the Center's name.

Credit Risk:

The Center 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.

As of June 30, 2019 and 2018, the Center held certificates of deposits of \$210,654 and \$207,041.

Interest Rate Risk:

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

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2019 and 2018:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 696,309	\$ 137,048	\$ -	\$ 833,357
Vehicles	246,099	-	-	246,099
Equipment	336,801	268,422	(68,000)	537,223
Total Capital Assets, being depreciated	1,279,209	405,470	(68,000)	1,616,679
Less Accumulated Depreciation for:				
Buildings and Improvements	131,781	16,667	-	148,448
Vehicles	108,728	21,478	-	130,206
Equipment	148,502	52,176	(30,900)	169,778
Total Accumulated Depreciation	389,011	90,321	(30,900)	448,432
Total Capital Assets Being Depreciated, net	890,198	315,149	(37,100)	1,168,247
Governmental Activities Capital Assets, net	\$ 890,198	\$ 315,149	\$ (37,100)	\$ 1,168,247

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Governmental Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	\$ 696,309	\$ -	\$ -	\$ 696,309
Vehicles	172,675	90,264	(16,840)	246,099
Equipment	268,926	67,875	-	336,801
Total Capital Assets, being depreciated	1,137,910	158,139	(16,840)	1,279,209
Less Accumulated Depreciation for:				
Buildings and Improvements	117,855	13,926	-	131,781
Vehicles	104,090	21,478	(16,840)	108,728
Equipment	116,368	32,134	-	148,502
Total Accumulated Depreciation	338,313	67,538	(16,840)	389,011
Total Capital Assets Being Depreciated, net	799,597	90,601	-	890,198
Governmental Activities Capital Assets, net	\$ 799,597	\$ 90,601	\$ -	\$ 890,198

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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

	<u>2019</u>	<u>2018</u>
Governmental Activities:		
Instructional Support Services	<u>\$ 90,321</u>	<u>\$ 67,538</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 90,321</u>	<u>\$ 67,538</u>

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2019 and 2018, the following changes occurred in long-term liabilities:

	<u>Long-term Liabilites at July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Long-term Liabilites at June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ 53,895	\$ -	\$ (22,501)	\$ 31,394	\$ 23,300
Total - Governmental Activities	<u>\$ 53,895</u>	<u>\$ -</u>	<u>\$ (22,501)</u>	<u>\$ 31,394</u>	<u>\$ 23,300</u>

	<u>Long-term Liabilites at July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Long-term Liabilites at June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ 75,634	\$ -	\$ (21,739)	\$ 53,895	\$ 22,501
Total - Governmental Activities	<u>\$ 75,634</u>	<u>\$ -</u>	<u>\$ (21,739)</u>	<u>\$ 53,895</u>	<u>\$ 22,501</u>

Outstanding debt at June 30, 2019 and 2018, are comprised of the following individual issuances:

1. Note Payable
 - a. From an original issuance of \$200,000 at 3.40%. At June 30, 2019 and 2018 \$31,394 and \$53,895 remained outstanding. The principal and interest are payable through September 1, 2020.

The debt service requirement are as follows:

Note Payable				
(Dated September 1, 2010, due monthly to September 1, 2020)				
(Interest paid monthly)				
<u>Year Ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020	3.40%	\$ 23,300	\$ 706	\$ 24,006
2021	3.40%	8,094	58	8,152
Totals		<u>\$ 31,394</u>	<u>\$ 764</u>	<u>\$ 32,158</u>

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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER

Notes to Financial Statements – Continued

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Center pays an annual premium to NDIRF for its general liability, 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 Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Center pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$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 \$993,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Center participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The Center has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the years ended June 30, 2019 and 2018 no claims were filed for unemployment benefits.

NOTE 7 – 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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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, 2019 and 2018, if the Center were to report on the full accrual basis, a liability of \$2,962,922 and \$3,055,286 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The Center's proportion of the net pension liability was based on the Center's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 and 2018 the Center's proportion was .222298% and .222441%. The Center's pension contributions for the years ended June 30, 2019 and 2018 was \$202,541 and \$192,678.

Actuarial Assumptions

The total pension liability in the July 1, 2018 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, 2018, 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, 2018, are summarized in the following table:

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.70%
Global Fixed Income	23%	1.50%
Global Real Assets	18%	5.10%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2018. 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, 2018, 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, 2018. 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, 2018.

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, 2019 and 2018, if the Center were to report on the full accrual basis, a liability of \$209,584 and \$149,707 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The Center's proportion of the net pension liability was based on the Center's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 and 2018 the Center's proportion was .012419% and .009314%. The Center's pension contributions for the years ended June 30, 2019 and 2018 was \$9,263 and \$9,056.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
	Service at		
	Beginning	State	Non-State
Salary Increases	<u>of Year</u>	<u>Employee</u>	<u>Employee</u>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	<u>Age</u>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%
	*Age-based salary increase rates apply for employees with three or more years of service		
Investment rate of return	7.75%, 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
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).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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 8 – 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.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
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, 2019 and 2018, if the Center were to report on the full accrual basis, a liability of \$9,182 and \$6,952 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The Center's proportion of the net pension liability was based on the Center's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 and 2018 the Center's proportion was .011659% and .008789%. The Center's pension contributions for the years ended June 30, 2019 and 2018 was \$1,483 and \$1,450.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Notes to Financial Statements – Continued

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, 2018, and July 1, 2017, 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 9 – RETIREMENT PLAN

The Center established a 403(b) retirement plan where the Center will contribute up to \$200 per month for employees electing to not take a medical insurance option. Contributions for the years ended June 30, 2019 and 2018 was \$11,275 and \$9,175.

NOTE 10 – CONCENTRATIONS

The Center 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 Center's programs and its continued operations.

NOTE 11 – 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, capital assets, accumulated depreciation, payroll liabilities, and long-term liabilities. Cash, capital assets, accumulated depreciation, payroll liabilities, and long-term liabilities have been corrected to reflect the subtractions. The Center made the following correction:

Net Position, previously reported	\$ 1,966,825
Cash	(547,919)
Fixed Assets	(569,075)
Accumulated Depreciation	450,993
Payroll Liabilities	(8,676)
Long-term Liabilities	<u>(4,123)</u>
Net Position, restated	<u>\$ 1,288,025</u>

NOTE 12 – SUBSEQUENT EVENTS

The Center has evaluated subsequent events through August 17, 2022, the date on which the financial statements were available to be issued.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local Sources	\$ 2,108,170	\$ 2,108,170	\$ 2,316,122	\$ 207,952
State Sources	1,304,107	1,304,107	1,264,449	(39,658)
Federal Sources	147,528	147,528	157,228	9,700
Interest Income	3,650	3,650	3,824	174
Miscellaneous Income	12,500	12,500	83,956	71,456
Total Revenues	<u>3,575,955</u>	<u>3,575,955</u>	<u>3,825,579</u>	<u>249,624</u>
EXPENDITURES				
Current				
Instructional Support Services	2,721,018	2,721,018	2,617,497	103,521
Administration	645,396	645,396	853,051	(207,655)
Operations and Maintenance	186,666	186,666	220,055	(33,389)
Total Expenditures	<u>3,577,080</u>	<u>3,577,080</u>	<u>3,714,609</u>	<u>(137,529)</u>
Excess (Deficiency) of Revenues over Expenditures	(1,125)	(1,125)	110,970	112,095
FUND BALANCE, BEGINNING OF YEAR			<u>622,846</u>	
FUND BALANCE, END OF YEAR			<u>\$ 733,816</u>	

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 2,013,237	\$ 2,013,237	\$ 1,894,875	\$ (118,362)
State Sources	1,181,584	1,181,584	1,412,826	231,242
Federal Sources	146,224	146,224	151,539	5,315
Interest Income	3,650	3,650	3,751	101
Miscellaneous Income	12,500	12,500	20,356	7,856
Total Revenues	<u>3,357,195</u>	<u>3,357,195</u>	<u>3,483,347</u>	<u>126,152</u>
EXPENDITURES				
Current				
Instructional Support Services	2,532,667	2,532,667	2,513,053	19,614
Administration	621,267	621,267	628,565	(7,298)
Operations and Maintenance	185,666	185,666	258,939	(73,273)
Total Expenditures	<u>3,361,600</u>	<u>3,361,600</u>	<u>3,424,563</u>	<u>(62,963)</u>
Excess (Deficiency) of Revenues over Expenditures	(4,405)	(4,405)	58,784	63,189
FUND BALANCE, BEGINNING OF YEAR			<u>564,062</u>	
FUND BALANCE, END OF YEAR			<u>\$ 622,846</u>	



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
Southeast Region Career & Technology Center
Wahpeton, 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, each major fund, and the aggregate remaining fund information of Southeast Region Career & Technology Center, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise the Southeast Region Career & Technology Center's basic financial statements, and have issued our report thereon dated August 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Region Career & Technology Center's internal control over financial reporting (internal control) to determine 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 Southeast Region Career & Technology Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 (2019-001 and 2019-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Region Career & Technology Center'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Center's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Southeast Region Career & Technology Center's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The Southeast Region Career & Technology Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nadine Julson, LLC

Nadine Julson, LLC
Wahpeton, North Dakota
August 17, 2022

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2019 and 2018

2019-001 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 Center.

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 Center. 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 Center. The Center will segregate functions where feasible.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Schedule of Current Year Findings – Continued

2019-002 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 Center 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 Center results in more than a remote likelihood that the Center 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 Center 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 Center 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 Center will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

SOUTHEAST REGION CAREER & TECHNOLOGY CENTER
Wahpeton, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2019 and 2018

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 Center. 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 2019-001.