

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

AUDIT REPORT

JUNE 30, 2014

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
ROLETTE, NORTH DAKOTA

TABLE OF CONTENTS
For The Year Ended June 30, 2014

	PAGE(S)
AUDITOR'S REPORTS:	
Independent Auditor's Report	1 – 3
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	4
Statement of Activities	5
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Fiduciary Net Position	10
<i>Notes to Basic Financial Statements</i>	11 – 19
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	20
Notes to Required Supplementary Information	21
SUPPLEMENTARY REPORTS:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 – 23
Schedule of Findings	24 – 25

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rolette Public School District No. 29, Rolette, North Dakota, as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rolette Public School District No. 29, Rolette, North Dakota as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 20 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017, on our consideration of Rolette Public School District No. 29's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rolette Public School District No. 29's internal control over financial reporting and compliance.



Mahlum Goodhart, PC
Mandan, North Dakota
November 9, 2017

Rolette Public School District No. 29

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 440,657
Investments	314,649
Due from County Treasurer	772
Accounts Receivable, Net	79,003
Taxes Receivable, Net	20,460
Capital Assets	
Land	7,500
Buildings	1,541,940
Equipment	204,064
Less Accumulated Depreciation	<u>(1,256,125)</u>
Total Capital Assets, Net of Depreciation	<u>497,379</u>
TOTAL ASSETS	1,352,920
LIABILITIES	
Accrued Salaries/Benefits Payable	10,594
Accounts Payable	1,959
Long-Term Liabilities	
Due After One Year:	
Compensated Absences	<u>13,131</u>
Total Liabilities	<u>25,684</u>
NET POSITION	
Net Investment in Capital Assets	497,379
Restricted for:	
Special Reserve	95,789
Capital Projects	80,213
Housing	53,692
Unrestricted	<u>600,163</u>
TOTAL NET POSITION	<u>\$ 1,327,236</u>

The accompanying notes are an integral part of this statement.

Rolette Public School District No. 29
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenue & Changes in Net Assets
Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities
Functions/Programs			
Governmental Activities			
Instruction & Instruction-Related Services	\$ 1,678,299	\$ -	\$ 223,707
School Administration & Support Services	389,486	-	-
Student Support Services	374,147	44,137	51,687
Total Primary Government	\$ 2,441,932	\$ 44,137	\$ 275,394
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose			343,728
Property Taxes, Levied for Capital Projects			44,467
State Aid			1,800,405
Unrestricted Investment Earnings			5,996
Other Revenues			22,724
Total General Revenues			2,217,320
Change in Net Position			94,919
Net Position - Beginning of Year			1,232,317
Net Position - End of Year			\$ 1,327,236

The accompanying notes are an integral part of this statement.

Rolette Public School District No. 29
Balance Sheet - Governmental Funds
June 30, 2014

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Special Reserve		
ASSETS				
Cash and Cash Equivalents	\$ 357,328	\$ 11,140	\$ 72,189	\$ 440,657
Investments	200,000	84,649	30,000	314,649
Due from County Treasurer	677	-	95	772
Accounts Receivable	78,753	-	250	79,003
Taxes Receivable, Net	17,963	-	2,497	20,460
Due from General Fund	-	-	26,716	26,716
TOTAL ASSETS	<u>\$ 654,721</u>	<u>\$ 95,789</u>	<u>\$ 131,747</u>	<u>\$ 882,257</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Salaries/Benefits Payable	\$ 10,594	\$ -	\$ -	\$ 10,594
Accounts Payable	1,959	-	-	1,959
Due to Other Funds	26,716	-	-	26,716
Total Liabilities	<u>39,269</u>	<u>-</u>	<u>-</u>	<u>39,269</u>
Deferred Inflows of Resources				
Uncollected Taxes	17,963	-	2,497	20,460
Total Liabilities and Deferred Inflows of Resources	<u>57,232</u>	<u>-</u>	<u>2,497</u>	<u>59,729</u>
Fund Balances:				
Restricted for Special Reserve	-	95,789	-	95,789
Assigned for Capital Projects	-	-	77,716	77,716
Assigned for Housing	-	-	53,692	53,692
Unassigned	597,489	-	(2,158)	595,331
Total Fund Balances	<u>597,489</u>	<u>95,789</u>	<u>129,250</u>	<u>822,528</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 654,721</u>	<u>\$ 95,789</u>	<u>\$ 131,747</u>	<u>\$ 882,257</u>

The accompanying notes are an integral part of this statement.

Rolette Public School District No. 29
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 For the Year Ended June 30, 2014

Total fund balances - governmental funds	\$	822,528
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Amounts reported for *governmental activities* in the statement of net position are different because:

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

Cost of Capital Assets	\$	1,753,504	
Accumulated Depreciation		<u>(1,256,125)</u>	497,379

Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		20,460
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Some liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated Absences Payable		<u>(13,131)</u>
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Net position of governmental activities	\$	<u><u>1,327,236</u></u>
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The accompanying notes are an integral part of these financial statements.

Rolette Public School District No. 29
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Special Reserve		
REVENUES				
Property Taxes & Revenue in Lieu	\$ 354,389	\$ -	\$ 44,075	\$ 398,464
State Aid	1,800,405	-	597	1,801,002
Federal Aid	223,707	-	51,090	274,797
Tuition	1,325	-	-	1,325
Charges for Services	-	-	51,901	51,901
Earnings on Investments	4,677	1,309	10	5,996
Other Sources	7,607	-	6,028	13,635
TOTAL REVENUES	2,392,110	1,309	153,701	2,547,120
EXPENDITURES				
Current:				
Regular Education Programs	1,170,754	-	-	1,170,754
Title Programs	145,313	-	-	145,313
Other Federal Programs	51,239	-	-	51,239
Improvement of Instruction Service	3,328	-	-	3,328
Instructional Media Service	5,250	-	-	5,250
School Board	58,087	-	-	58,087
Executive Administration	66,420	-	-	66,420
Supportive Service - Business	60,154	-	-	60,154
Operation & Maintenance	167,363	-	4,907	172,270
Other Instruction Support Service	17,796	-	-	17,796
Student Activities	75,653	-	-	75,653
Student Transportation	163,920	-	-	163,920
Construction Services	-	-	21,721	21,721
Vocational Education	98,252	-	-	98,252
Special Education	167,371	-	-	167,371
Food Service	-	-	134,574	134,574
TOTAL EXPENDITURES	2,250,900	-	161,202	2,412,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	141,210	1,309	(7,501)	135,018
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(26,750)	-	26,750	-
NET CHANGE IN FUND BALANCES	114,460	1,309	19,249	135,018
Fund Balances - July 1, 2013	483,029	94,480	110,001	687,510
FUND BALANCES - JUNE 30, 2014	\$ 597,489	\$ 95,789	\$ 129,250	\$ 822,528

The accompanying notes are an integral part of this statement.

Rolette Public School District No. 29
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the year ended June 30, 2014

Net change in fund balances - total governmental funds \$ 135,018

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

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

Current Year Capital Outlay	\$ 5,099	
Current Year Depreciation Expense	<u>(39,842)</u>	(34,743)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (10,269)

Compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Compensated absences decreased by this amount this year. 4,913

Change in net position of governmental activities \$ 94,919

Rolette Public School District No. 29
Statement of Fiduciary Net Position
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 7,922
TOTAL ASSETS	<u>\$ 7,922</u>
LIABILITIES	
Due to Student Activities Groups	\$ 7,922
TOTAL LIABILITIES	<u>\$ 7,922</u>

The accompanying notes are an integral part of this statement.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Currently, the District does not classify any activities as business-type.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The District has no proprietary activities at this time. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District has presented the following major funds:

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

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

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

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

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

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

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

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Interfund Transactions

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

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

E. Encumbrance Accounting

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

F. Cash, Cash Equivalents and Investments

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

Credit Risk:

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

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

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

G. Inventory

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

H. Capital Assets

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

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

I. Compensated Absences

For teachers, sick leave is compensated at termination of employment at \$20 per day to a maximum of 60 days. Personal leave is paid at sub-pay (\$100 per day) up to a maximum of 3 days.

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

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

J. Estimates

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

K. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. Deferred Inflows of Resources

Deferred inflows of resources in the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include uncollected taxes.

M. Fund Balance Classifications

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

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

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

NOTE 2 DEPOSITS

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

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

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

As of June 30, 2014, the District’s carrying balances were \$755,306 for governmental funds and \$7,922 for agency funds. The bank balance of these deposits as of June 30, 2014 was \$795,145. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and \$295,145 was collateralized with securities held by the pledging financial institutions’ agent not in the District’s name. During the fiscal year ended June 30, 2014, the board did not review the pledge of securities semi-annually as required by state law.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 3 INVESTMENTS

At June 30, 2014, the District's investments were held in certificates of deposit. These investments are reported at fair market value. The interest rates earned on the certificates range from 0.25 percent to 1.75 percent.

NOTE 4 PROPERTY TAX

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

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

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

NOTE 5 ACCOUNTS RECEIVABLE

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

NOTE 6 DUE FROM COUNTY TREASURER

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

NOTE 7 CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2014:

	June 30, 2013	Increases	Decreases	June 30, 2014
Capital assets not being depreciated				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Capital assets being depreciated				
Buildings	1,541,940	-	-	1,541,940
Equipment	198,965	5,099	-	204,064
Total capital assets, being depreciated	1,740,905	5,099	-	1,746,004
Less accumulated depreciation for				
Buildings	1,107,647	23,909	-	1,131,556
Equipment	108,636	15,933	-	124,569
Total accumulated depreciation	1,216,283	39,842	-	1,256,125
Total capital assets being depreciated, net	524,622	(34,743)	-	489,879
Total capital assets, net	\$ 532,122	\$ (34,743)	\$ -	\$ 497,379

Depreciation expense for the year ended June 30, 2014 was \$39,842 and is reported in the government-wide statement of activities. Depreciation charged to instruction and instruction-related services is \$23,909 and school administration and support services is \$15,933.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 8 SALARIES AND BENEFITS PAYABLE

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

NOTE 9 LONG-TERM DEBT

Following is a summary of long-term debt activity for the year ended June 30, 2014:

	Balance 6/30/13	Decreases	Balance 6/30/14	Due Within One Year
Compensated Absences *	\$ 18,044	\$ (4,913)	\$ 13,131	\$ -
Total	\$ 18,044	\$ (4,913)	\$ 13,131	\$ -

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

NOTE 10 PENSION PLANS

1. North Dakota Teacher's Fund for Retirement

The District contributes to the North Dakota Teachers' Fund for Retirement (TFFR); a cost-sharing multiple employer defined benefit pension plan administered by the State of North Dakota. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teachers Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota 58507-7100.

Plan members are required to contribute 9.75 percent of their annual covered salary and the District is required to contribute 10.75 percent of the teacher's salary. The contribution requirements of plan members and the District are established and may be amended by the State legislature. The District's contributions to TFFR for the fiscal years ended June 30, 2014, 2013, and 2012 were \$110,500, \$98,576, and \$74,893, respectively.

2. North Dakota Public Employees Retirement System

Rolette Public School District No. 29 participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of Rolette Public School District No. 29. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100 percent 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 employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 10 PENSION PLANS – CONTINUED

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

Employees are entitled to unreduced monthly pension benefits equal to 2.0 percent of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. Until December 31, 2013, this state statute required that 6 percent of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. Rolette Public School District No. 29 has not elected to implement a salary reduction agreement. The District is required to contribute 6.12 percent of each participant's salary as the employer's share. In addition to the 6.12 percent employer contribution, the employer is required to contribute 1.14 percent of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute.

Effective January 1, 2014, this state statute requires that 7 percent of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. Rolette Public School District No. 29 has not elected to implement a salary reduction agreement. The District is required to contribute 7.12 percent of each participant's salary as the employer's share. In addition to the 7.12 percent employer contribution, the employer is required to contribute 1.14 percent of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The District's required and actual contributions to NDPERS for the fiscal year ended June 30, 2014, 2013 and 2012 was \$17,648, \$12,747, and \$10,484, respectively.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 11 RISK MANAGEMENT

The Rolette Public School District No. 29 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

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

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29
Notes to Basic Financial Statements
June 30, 2014

NOTE 12 EXPENDITURES IN EXCESS OF BUDGET

For the fiscal year ended June 30, 2014, the General fund was expensed in excess of budget for certain line items, but as a whole the expenses were under budget by \$93,063. No remedial action is anticipated.

NOTE 13 INTERFUND TRANSFERS

For the fiscal year ended June 30, 2014, a fund transfer of \$28,908 was made from the General Fund to the Food Service Fund to help cover operating expenses in excess of revenues.

NOTE 14 INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2014, interfund receivables and payables totaled \$26,716 for remodeling/HVAC property tax receipts deposited in the general fund that should be reported in the building fund. The revenues were correctly reported in the building fund but the cash was deposited in the general fund.

NOTE 15 DEFICIT FUND BALANCE/NET POSITION

The following had a deficit fund balance/net position at June 30, 2014:

Food Service	\$2,158
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This deficit will be eliminated with future revenue collections.

***REQUIRED
SUPPLEMENTARY INFORMATION***

Rolette Public School District No. 29
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes & Revenue in Lieu	\$ 352,933	\$ 352,933	\$ 354,389	\$ 1,456
State Aid	1,776,277	1,776,277	1,800,405	24,128
Federal Aid	197,754	219,283	223,707	4,424
Tuition	1,000	1,000	1,325	325
Earnings on Investments	4,000	4,000	4,677	677
Other Sources	<u>8,100</u>	<u>8,100</u>	<u>7,607</u>	<u>(493)</u>
TOTAL REVENUES	<u>2,340,064</u>	<u>2,361,593</u>	<u>2,392,110</u>	<u>30,517</u>
EXPENDITURES				
Current:				
Regular Education Programs	1,183,100	1,213,350	1,170,754	42,596
Title Programs	125,591	151,183	145,313	5,870
Other Federal Programs	54,643	54,643	51,239	3,404
Improvement of Instruction Service	5,550	5,550	3,328	2,222
Instructional Media Service	4,800	4,800	5,250	(450)
School Board	85,965	91,855	58,087	33,768
Executive Administration	69,869	69,869	66,420	3,449
Supportive Service - Business	62,150	62,150	60,154	1,996
Operation & Maintenance	173,250	173,250	167,363	5,887
Other Instruction Support Service	41,000	41,000	17,796	23,204
Student Activities	81,850	81,850	75,653	6,197
Student Transportation	161,500	161,500	163,920	(2,420)
Vocational Education	97,813	97,813	98,252	(439)
Special Education	<u>135,150</u>	<u>135,150</u>	<u>167,371</u>	<u>(32,221)</u>
TOTAL EXPENDITURES	<u>2,282,231</u>	<u>2,343,963</u>	<u>2,250,900</u>	<u>93,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	57,833	17,630	141,210	123,580
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(26,750)</u>	<u>(1,750)</u>
NET CHANGE IN FUND BALANCES	32,833	(7,370)	114,460	121,830
Fund Balances - July 1, 2013	<u>483,029</u>	<u>483,029</u>	<u>483,029</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2014	<u><u>\$ 515,862</u></u>	<u><u>\$ 475,659</u></u>	<u><u>\$ 597,489</u></u>	<u><u>\$ 121,830</u></u>

The accompanying notes are an integral part of this statement.

Rolette Public School District No. 29
Notes to Required Supplementary Information
June 30, 2014

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget consistent with accounting principles generally accepted in the United States for the general fund and special revenue funds. No budget was created for the Special Reserve Fund. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before August 15 each year.
- The taxes levied must be certified to the county auditor by August 25.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- The balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rolette Public School District No. 29 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rolette Public School District No. 29's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rolette Public School District No. 29's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rolette Public School District No. 29's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompany schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2014-001 and 2014-002 in the accompanying schedule of findings to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rolette Public School District No. 29's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2014-003.

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

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

Purpose of this Report

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



Mahlum Goodhart, PC
Mandan, North Dakota
November 9, 2017

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29

Schedule of Findings

For the Year Ended June 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Control deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Audit

Finding 2014-001: Segregation of Duties

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

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

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

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

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

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

Finding 2014-002: Preparation of the Financial Statements

Condition – The financial statements and related notes are prepared by the organization's auditors.

Criteria – Complete and accurate presentation of the financial statements in conformity with generally accepted accounting principles is required.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the accounting department.

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

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

Management's Response – Management agrees with the necessity for accounting conformities.

ROLETTE PUBLIC SCHOOL DISTRICT NO. 29

Schedule of Findings

For the Year Ended June 30, 2014

Section II – Financial Statement Audit – Continued

Finding 2014-003: Pledges Not Reviewed Semi-Annually

Condition – As of June 30, 2014 the board did not review pledges of securities semi-annually as required by state law.

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

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

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

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

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