

# **AUDIT REPORT**

**ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18**  
**Carson, North Dakota**

**For the Year Ended June 30, 2016**

**RATH & MEHRER, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

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ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

SCHOOL DISTRICT OFFICIALS

Jim Bachmeier	Board President
Mary Pierson	Vice President
Carmel Miller	Board Member
Chad Skretteberg	Board Member
Dan Stewart	Board Member
Judy Zins	Administrator
Carey Reis	Business Manager

# Rath & Mehler

Certified Public Accountants

Specializing in Governmental Auditing

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Jayson Rath, CPA  
Ken Mehler, CPA

425 North Fifth Street  
Bismarck, ND 58501

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Roosevelt Public School District No. 18  
Carson, 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 the Roosevelt Public School District No. 18, Carson, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the school 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 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 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 school district'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 school district'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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Roosevelt Public School District No. 18, Carson, North Dakota, as of June 30, 2016, 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 management's discussion and analysis on pages 4 through 9, budgeting comparison information on pages 30 through 31, and the schedule of employer's share of net pension liability on page 32 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.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the school district's basic financial statements. The schedule of fund activity arising from client transactions is presented for additional analysis and is not a required part of the basic financial statements.

The schedule of fund activity arising from client transactions is the responsibility of management and was derived from and relates 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 schedule of fund activity arising from client transactions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2016 on our consideration of the school district'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 school district's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

November 25, 2016

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18

Management's Discussion and Analysis

June 30, 2016

The Management's Discussion and Analysis (MD&A) of the Roosevelt Public School District's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2016. The intent of the MD&A is to look at the school district's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended June 30, 2016 are as follows:

- \* Net position of the school district increased \$289,210 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$838,604.
- \* Total revenues from all sources were \$1,578,378.
- \* Total expenses were \$1,289,168.
- \* The school district's general fund had \$1,465,291 in total revenues and \$1,214,938 in total expenditures. Overall, the general fund balance increased by \$250,353 for the year ended June 30, 2016.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the school district as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the school district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the school district's general fund and building fund with the other governmental fund presented in a separate column.

## REPORTING ON THE SCHOOL DISTRICT AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the school district to provide programs and activities and attempt to answer the question "How did the school district do financially during the year ended June 30, 2016?"

The Statement of Net Position presents information on all the district's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school district is improving or deteriorating.

The Statement of Activities presents information on how the school district's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and/or vacation leave).

These two statements report the school district's net position and changes in that position. This change in net position is important because it tells the reader whether, for the school district as a whole, the financial position of the school district has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the school district reports governmental activities. Governmental activities are the activities where most of the school district's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of buildings and grounds, student transportation and co-curricular activities.

## REPORTING ON THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

### Balance Sheet - Governmental Funds

The school district uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the school district to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the school district's major funds. Using the criteria established by GASB Statement No. 34, the school district's general fund and building fund are considered "major funds".

The school district's other fund, which is used to account for food service financial transactions, is summarized under the heading "Food Service".

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

Table I provides a summary of the school district's net position as of June 30, 2016. A comparative analysis of district-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the school district's net position increased by \$289,210 for the year ended June 30, 2016. Changes in net position may serve over time as a useful indicator of the school district's financial position.

The school district's net position of \$838,604 is segregated into three separate categories. Net investment in capital assets totals \$638,490. It should be noted that these assets are not available for future spending. The restricted component of net position is \$192,671 of the school district's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$7,443 which includes (\$708,437) relating to the reporting of it's share of the unfunded liability for the North Dakota Teachers Fund for Retirement as required by GASB Statement No. 68. The net amount of \$715,880 is available to meet the school district's ongoing obligations.

Table I  
 Net Position  
 As of June 30, 2016  
 (With comparative totals for June 30, 2015)

	2016	2015
<u>Assets</u>		
Current Assets	929,432	614,110
Capital Assets (net of accumulated depreciation)	638,490	668,090
Total Assets	1,567,922	1,282,200
Deferred Outflows of Resources	150,339	53,775
<u>Liabilities</u>		
Current Liabilities	14,195	12,494
Long-Term Liabilities	6,687	4,441
Net Pension Liability	808,634	691,133
Total Liabilities	829,515	708,068
Deferred Inflows of Resources	50,142	78,514
<u>Net Position</u>		
Net Investment in Capital Assets	638,490	668,090
Restricted	192,671	124,915
Unrestricted	7,443	(243,612)
Total Net Position	838,604	549,393
	=====	=====



Table II shows the changes in net position for the fiscal year ended June 30, 2016. A comparative analysis of district-wide data is presented for both current and prior year.

Table II  
Changes in Net Position  
As of June 30, 2016  
(With comparative totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	36,456	58,227
Operating Grants and Contributions	234,161	238,794
<u>General Revenues:</u>		
Property Taxes	395,134	428,669
Other Taxes	16,269	16,269
State Aid - Unrestricted	893,115	950,290
Interest Earnings and Other Revenue	3,244	24,736
<b>Total Revenues</b>	<u>1,578,378</u>	<u>1,716,984</u>
<b>Expenses</b>		
Regular Instruction	519,750	525,334
Federal Programs	67,066	89,487
District Wide Services	22,960	32,181
Administration	135,954	179,031
Operations and Maintenance	217,833	233,573
Student Transportation	150,064	169,220
Services Provided for Another LEA	16,085	25,806
Student Activities	6,294	47,132
Tuition and Assessments	38,591	40,720
Food Services	81,311	88,690
Unallocated Depreciation	33,260	33,260
<b>Total Expenses</b>	<u>1,289,168</u>	<u>1,464,433</u>
<b>Net Change in Position</b>	<u>289,210</u>	<u>252,551</u>

Property taxes constituted 25%, unrestricted state aid 57%, operating grants and contributions 15% and charges for services made up 2% of the total revenues of governmental activities of the school district for the fiscal year ended June 30, 2016.

Regular instruction constituted 40%, federal programs 5% and operations and maintenance 17% of total expenses for governmental activities during the fiscal year ended June 30, 2016.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III  
Total and Net Cost of Services  
As of June 30, 2016

	Total Cost Year Ended <u>June 30, 2016</u>	Net Cost Year Ended <u>June 30, 2016</u>
Regular Instruction	519,750	514,960
Federal Programs	67,066	
District Wide Services	22,960	22,960
Administration	135,954	135,954
Operations and Maintenance	217,833	204,914
Student Transportation	150,064	31,949
Services Provided for Another LEA	16,085	(60)
Student Activities	6,294	6,294
Tuition and Assessments	38,591	38,591
Food Services	81,311	29,729
Unallocated Depreciation	33,260	33,260
 Total Expenses	 <u>1,289,168</u> =====	 <u>1,018,551</u> =====

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the school district's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the school district's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The school district's governmental funds had total revenue of \$1,582,989 and expenditures of \$1,264,758 for the year ended June 30, 2016. As of June 30, 2016, the unassigned fund balance of the school district's general fund was \$686,796.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal year 2016, the school district did not amend the general fund budget.

Actual revenue for the year ended June 30, 2016 was \$26,455 less than budgeted. Actual expenditures for the year ended June 30, 2016 were under budget by \$278,152. This variance was due mainly to the school district overestimating appropriations for various programs.

**CAPITAL ASSETS**

As of June 30, 2016, the school district had \$638,490 invested in capital assets. Table IV shows the balances as of June 30, 2016 and 2015.

Table IV  
Capital Assets  
(Net of Accumulated Depreciation)  
As of June 30, 2016  
(With comparative totals for June 30, 2015)

	<u>2016</u>	<u>2015</u>
Buildings	598,830	632,090
Vehicles	39,660	36,000
 Total (net of depreciation)	 <u>638,490</u> =====	 <u>668,090</u> =====

This total represents a decrease of \$29,600 in capital assets from July 1, 2015. The school district's vehicles increased during the year with the purchase of a 2005 Chevy Suburban. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

## **DEBT ADMINISTRATION**

As of June 30, 2016, the school district had \$6,687 in outstanding debt.

During fiscal year 2016, the school district issued no new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 9 to the audited financial statements which follow this analysis.

## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of the school district's finances and to show the school district's accountability for the money it receives to provide the best possible education to all students enrolled in the Roosevelt Public School. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Carey Reis, Business Manager, Roosevelt Public School, Carson, ND 58529; phone 701-622-3263.

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Statement of Net Position  
June 30, 2016

	Governmental Activities
<b><u>ASSETS:</u></b>	
Cash and Investments	854,094.71
Taxes Receivable	41,238.24
Due from County Treasurer	23,393.94
Intergovernmental Receivables	10,705.20
Capital Assets (net of accumulated depreciation):	
Buildings	598,830.00
Vehicles	39,660.00
Total Capital Assets	638,490.00
Total Assets	1,567,922.09
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>	
Changes in Resources Related to Pensions	150,339.00
<b><u>LIABILITIES:</u></b>	
Payroll Benefits Payable	14,194.71
Long-Term Liabilities:	
Due After One Year:	
Compensated Absences Payable	6,686.60
Net Pension Liability	808,634.00
Total Liabilities	829,515.31
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Changes in Resources Related to Pensions	50,142.00
<b><u>NET POSITION:</u></b>	
Net Investment in Capital Assets	638,490.00
Restricted for:	
Food Service	3,324.18
Capital Projects	189,346.95
Unrestricted	7,442.65
Total Net Position	838,603.78

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

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Statement of Activities  
For the Year Ended June 30, 2016

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>			
Regular Instruction	519,750.17	4,790.00	(514,960.17)
Federal Programs	67,065.63	67,065.63	
District Wide Services	22,960.15		(22,960.15)
Administration	135,954.21		(135,954.21)
Operations and Maintenance	217,833.05	12,919.00	(204,914.05)
Student Transportation	150,063.74	118,115.20	(31,948.54)
Services Provided for Another LEA	16,085.33	16,145.00	59.67
Student Activities	6,294.36		(6,294.36)
Tuition and Assessments	38,590.66		(38,590.66)
Food Services	81,310.62	20,310.92	(29,728.84)
Unallocated Depreciation	33,260.00		(33,260.00)
<hr/>			
<b>Total Governmental Activities</b>	<b>1,289,167.92</b>	<b>36,455.92</b>	<b>234,160.69</b>
			<b>(1,018,551.31)</b>
<hr/>			
<b><u>General Revenues:</u></b>			
<b>Taxes:</b>			
Property taxes; levied for general purposes			342,120.71
Property taxes; levied for building purposes			53,012.80
Telecommunications taxes			16,268.83
State aid - not restricted to specific program			893,115.43
Earnings on investments and other revenue			3,243.92
<b>Total General Revenues</b>			<b>1,307,761.69</b>
<b>Change in Net Position</b>			<b>289,210.38</b>
<b>Net Position - July 1</b>			<b>549,393.40</b>
<b>Net Position - June 30</b>			<b>838,603.78</b>
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The accompanying notes are an integral part of these financial statements.

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Balance Sheet  
Governmental Funds  
June 30, 2016

	Major Funds			Total Governmental Funds
	General	Building	Food Service	
<b>ASSETS:</b>				
Cash and Investments	670,065.81	180,704.72	3,324.18	854,094.71
Taxes Receivable	35,770.71	5,467.53		41,238.24
Due from County Treasurer	20,219.24	3,174.70		23,393.94
Intergovernmental Receivables	10,705.20			10,705.20
<hr/>				
Total Assets	736,760.96	189,346.95	3,324.18	929,432.09
<hr style="border-top: 1px dashed black;"/>				
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Payroll Benefits Payable	14,194.71			14,194.71
<hr/>				
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	35,770.71	5,467.53		41,238.24
<hr/>				
Total Liabilities and Deferred Inflows of Resources	49,965.42	5,467.53		55,432.95
<hr/>				
<b>Fund Balances:</b>				
Restricted for:				
Food Service			3,324.18	3,324.18
Capital Projects		183,879.42		183,879.42
Unassigned	686,795.54			686,795.54
<hr/>				
Total Fund Balances	686,795.54	183,879.42	3,324.18	873,999.14
<hr/>				
Total Liabilities, Deferred Inflows of Resources and Fund Balances	736,760.96	189,346.95	3,324.18	929,432.09
<hr style="border-top: 1px dashed black;"/>				

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

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended June 30, 2016

Total Fund Balances for Governmental Funds	873,999.14
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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	2,337,425.00	
Less Accumulated Depreciation	(1,698,935.00)	
		638,490.00

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 unavailable revenue in the funds.	41,238.24
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The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	150,339.00	
Total Deferred Inflows of Resources	(50,142.00)	
		100,197.00

Long-term liabilities applicable to the school district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities -both current and long-term- are reported in the statement of net position. Balances at June 30, 2016 are:

Compensated Absences Payable	(6,686.60)	
Net Pension Liability	(808,634.00)	
		(815,320.60)

Total Net Position of Governmental Activities	838,603.78
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The accompanying notes are an integral part of these financial statements.

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2016

	Major Funds			Total Governmental Funds
	General	Building	Food Service	
<b>Revenues:</b>				
Local Sources	366,059.93	53,135.89	20,372.54	439,568.36
State Sources	1,016,020.63	12,919.00	745.69	1,029,685.32
Federal Sources	67,065.63		30,525.17	97,590.80
Other Sources	16,145.00			16,145.00
<b>Total Revenues</b>	<b>1,465,291.19</b>	<b>66,054.89</b>	<b>51,643.40</b>	<b>1,582,989.48</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Regular Instruction	524,939.77			524,939.77
Federal Programs	67,065.63			67,065.63
District Wide Services	22,960.15			22,960.15
Administration	135,954.21			135,954.21
Operations and Maintenance	217,833.05			217,833.05
Student Transportation	144,148.74			144,148.74
Services Provided for Another LEA	16,085.33			16,085.33
Student Activities	6,294.36			6,294.36
Tuition and Assessments	38,590.66			38,590.66
Food Services	31,491.40		49,819.22	81,310.62
Capital Outlay	9,575.00			9,575.00
<b>Total Expenditures</b>	<b>1,214,938.30</b>		<b>49,819.22</b>	<b>1,264,757.52</b>
<b>Net Change in Fund Balances</b>	<b>250,352.89</b>	<b>66,054.89</b>	<b>1,824.18</b>	<b>318,231.96</b>
<b>Fund Balance - July 1</b>	<b>436,442.65</b>	<b>117,824.53</b>	<b>1,500.00</b>	<b>555,767.18</b>
<b>Fund Balance - June 30</b>	<b>686,795.54</b>	<b>183,879.42</b>	<b>3,324.18</b>	<b>873,999.14</b>

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



ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds 318,231.96

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 depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	9,575.00	
Current Year Depreciation Expense	(39,175.00)	(29,600.00)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences Payable	(2,245.40)	
Net Decrease to Pension Expense	7,435.00	5,189.60

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Decrease in Taxes Receivable		(4,611.18)

Change in Net Position of Governmental Activities		289,210.38

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

Roosevelt Public School District No. 18  
Carson, North Dakota

Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2016

	Agency Fund
<b><u>Assets:</u></b>	
Cash	9,264.77
	=====
<b><u>Liabilities:</u></b>	
Due to Student Activities Groups	9,264.77
	=====

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

Roosevelt Public School District No. 18  
Carson, North Dakota

Notes to the Financial Statements  
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Roosevelt Public School District No. 18 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the Roosevelt Public School District No. 18 as a reporting entity.

B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, Roosevelt Public School District No. 18. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The school district reports the following major governmental funds:

*General Fund.* This is the school district's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Building Fund.* This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

The school district reports the following fund type:

*Agency Fund.* This fund accounts for assets held by the school district in a custodial capacity as an agent on behalf of others. The school district's agency fund is used to account for various deposits of the student activity funds.

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

*Government-wide and Fiduciary Fund Financial Statements:* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the school district gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The school district considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

#### D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit stated at cost.

#### E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the school district 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	30 to 70 years
Vehicles	5 to 10 years

#### F. Compensated Absences

Vested or accumulated sick leave is reported in the government-wide statement of net position. Compensation for unused sick leave and personal leave will be granted to all certified employees and administrators upon termination. The district's personnel policy requires a payout of \$40 for each day up to a maximum of 60 days for accumulated sick leave and \$60 for personal leave up to a maximum of 6 days.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

#### G. Long-Term Obligations

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

## H. Pension

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Teachers Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the school district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school district or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the school board through the adoption of a resolution. The school board also may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the school district's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The school district reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the school district's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the school district's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**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 (i.e., the amount that the school district has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### J. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

#### K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

#### Note 2 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial 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 investments 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 any 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 other securities approved by the banking board.

At June 30, 2016 the school district's carrying amount of deposits was \$863,359 and the bank balance was \$953,583. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$703,583 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

- (1) 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.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At June 30, 2016 the school district held certificates of deposit in the amount of \$1,000, which are all considered deposits.

#### Concentration of Credit Risk

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

#### Note 3 TAXES RECEIVABLE

Taxes receivable represents the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.



Note 4 DUE FROM COUNTY TREASURER

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

Note 5 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs. This amount consists of federal dollars.

Note 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance July 1	Increases	Decreases	Balance June 30
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings	2,280,750			2,280,750
Vehicles	47,100	9,575		56,675
<b>Total</b>	<b>2,327,850</b>	<b>9,575</b>		<b>2,337,425</b>
<i>Less accumulated depreciation for:</i>				
Buildings	1,648,660	33,260		1,681,920
Vehicles	11,100	5,915		17,015
<b>Total</b>	<b>1,659,760</b>	<b>39,175</b>		<b>1,698,935</b>
Governmental Activities Capital Assets, Net	668,090	(29,600)	-0-	638,490
	=====	=====	=====	=====

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

Student Transportation	5,915.00
Unallocated Depreciation	33,260.00
	-----
<b>Total Depreciation Expense</b>	<b>39,175.00</b>
	=====

Note 7 PAYROLL BENEFITS PAYABLE

Payroll benefits payable consists of benefits owed to federal, state and private agencies for amounts withheld from teacher's salaries as of June 30 but not yet remitted.

Note 8 UNAVAILABLE REVENUE

Unavailable revenue on 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 taxes receivable.

Note 9 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended June 30, 2016, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	Balance <u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30</u>	Due Within <u>One Year</u>
Compensated Absences *	4,441	2,246	-0-	6,687	-0-
	=====	=====	=====	=====	=====

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

Note 10 RISK MANAGEMENT

The Roosevelt Public School District No. 18 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The school district also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The school district 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the school district with a blanket fidelity bond coverage in the amount of \$500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The school district has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 11 PENSION PLAN

North Dakota Teachers 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 Board comprised of seven members. The Board consists of the State Treasurer, the Superintendent of Public Instruction and five members appointed by the Governor.

**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.

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.

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.

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 for all three categories are determined by NDCC Section 15-39.1-10. Tier 1 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. Tier 2 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 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.

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 70.5. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2016, the Roosevelt Public School District reported a liability of \$808,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2015 the district's proportion was .061829 percent, which was a decrease of .004130 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the district recognized pension expense of \$46,805. At June 30, 2016 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	5,299	
Changes in assumptions	90,796	
Net difference between projected and actual earnings on pension plan investments		9,119
Changes in proportion and differences between employer contributions and proportionate share of contributions		41,023
District contributions subsequent to the measurement date (see below)	54,244	
Total	----- 150,339 -----	----- 50,142 -----

\$54,244 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30: -----	
2017	2,437
2018	2,437
2019	2,437
2020	20,836
2021	9,316
Thereafter	8,490

**Actuarial assumptions.** The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the 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 RP-2014 Healthy Annuitant Mortality Table set back on 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, 2015, 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% to 7.75%.
- \* Inflation assumption lowered from 3% to 2.75%.
- \* Total salary scale rates lowered by 0.25% due to lower inflation.
- \* Added explicit administrative 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 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57%	7.50%
Global Fixed Income	22%	1.30%
Global Real Assets	20%	5.40%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. 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, 2015. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate. The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
	-----	-----	-----
The district's proportionate share of the net pension liability	1,068,648	808,634	591,788

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

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources	395,505.62	395,505.62	366,059.93	(29,445.69)
State Sources	1,009,179.38	1,009,179.38	1,016,020.63	6,841.25
Federal Sources	62,061.00	62,061.00	67,065.63	5,004.63
Other Sources	25,000.00	25,000.00	16,145.00	(8,855.00)
<b>Total Revenues</b>	<b>1,491,746.00</b>	<b>1,491,746.00</b>	<b>1,465,291.19</b>	<b>(26,454.81)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Regular Instruction	571,971.94	571,971.94	524,939.77	47,032.17
Federal Programs	62,061.00	62,061.00	67,065.63	(5,004.63)
District Wide Services	29,869.60	29,869.60	22,960.15	6,909.45
Administration	169,092.15	169,092.15	135,954.21	33,137.94
Operations and Maintenance	267,865.23	267,865.23	217,833.05	50,032.18
Student Transportation	175,800.00	175,800.00	144,148.74	31,651.26
Services Provided for Another LEA	32,795.00	32,795.00	16,085.33	16,709.67
Student Activities	56,265.00	56,265.00	6,294.36	49,970.64
Tuition and Assessments	85,000.00	85,000.00	38,590.66	46,409.34
Food Services	32,795.00	32,795.00	31,491.40	1,303.60
Capital Outlay	9,575.00	9,575.00	9,575.00	
<b>Total Expenditures</b>	<b>1,493,089.92</b>	<b>1,493,089.92</b>	<b>1,214,938.30</b>	<b>278,151.62</b>
<b>Net Change in Fund Balances</b>	<b>(1,343.92)</b>	<b>(1,343.92)</b>	<b>250,352.89</b>	<b>251,696.81</b>
<b>Fund Balance - July 1</b>	<b>436,442.65</b>	<b>436,442.65</b>	<b>436,442.65</b>	
<b>Fund Balance - June 30</b>	<b>435,098.73</b>	<b>435,098.73</b>	<b>686,795.54</b>	<b>251,696.81</b>



ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Notes to the Budgetary Comparison Schedule  
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

School district taxes must be levied by the governing board on or before August 15. The taxes levied must be certified to the county auditor by August 25. The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by October 10. 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.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budget during the year ended June 30, 2016.

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

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

	2015	2016
District's proportion of the net pension liability	0.065959%	0.061829%
District's proportionate share of the net pension liability	691,133	808,634
District's covered-employee payroll	382,597	380,315
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.64%	212.62%
Plan fiduciary net position as a percentage of the total pension liability	66.6%	62.1%

Schedule of Employer Contributions  
ND Teacher's Fund for Retirement  
Last 10 Fiscal Years\*

	2015	2016
Statutorily required contribution	41,129	48,490
Contributions in relation to the statutorily required contribution	(41,129)	(48,490)
Contribution deficiency (excess)	0	0
District's covered-employee payroll	382,597	380,315
Contributions as a percentage of covered-employee payroll	10.75%	12.75%

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

- For changes of assumptions, see Note 11 to the financial statements.

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Schedule of Fund Activity Arising from Client Transactions

For the Year Ended June 30, 2016

	Balance 7-1-15	Revenues	Transfers In	Transfers Out	Expenditures	Balance 6-30-16
General Fund	423,715.78	1,447,093.62			1,214,938.30	655,871.10
<u>Special Revenue Fund</u>						
Food Service	1,500.00	46,206.31			44,382.13	3,324.18
<u>Capital Projects Fund</u>						
Building	116,040.97	64,663.75				180,704.72
<u>Fiduciary Fund</u>						
<u>Agency Fund</u>						
Student Activity Funds	9,073.69	22,049.04			21,857.96	9,264.77
 Total All Funds	 550,330.44	 1,580,012.72			 1,281,178.39	 849,164.77

The above schedule is reported on a client basis which includes client adjustments to cash and investments for payroll benefits payable in the general fund.

# Rath & Mehrer

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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Roosevelt Public School District No. 18  
Carson, 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 Roosevelt Public School District No. 18, Carson, North Dakota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements, and have issued our report thereon dated November 25, 2016.

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

In planning and performing our audit of the financial statements, we considered the school district'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 the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district'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 school district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### School District's Response to Findings

The school district's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The school district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 school district's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the school district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

November 25, 2016

ROOSEVELT PUBLIC SCHOOL DISTRICT NO. 18  
Carson, North Dakota

Schedule of Findings and Responses  
For the Year Ended June 30, 2016

**SECTION I - SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

\* Material weakness(es) identified?                   Yes              X   No

\* Significant deficiency(ies) identified?         X   Yes                   None Reported

Noncompliance Material to financial  
statements noted?                                              Yes              X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. Segregation of Duties

*Condition:* The school district has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the school district.

*Effect:* There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the school district's financial condition.

*Recommendation:* Due to the size of the school district, it is not feasible to obtain proper separation of duties and no recommendation will be made.

*Client Response:* No response is considered necessary.

## 2. Financial Statement Preparation

*Condition:* The school district's financial statements as of June 30, 2016 are prepared by the school district's external auditors.

*Criteria:* A good system of internal controls requires the school district to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the school district must maintain knowledge of current accounting principles and required financial statement disclosures.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with accounting principles generally accepted in the United States of America.

*Recommendation:* We recommend the school district obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the school district to prepare its own financial statements.