ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
DICKINSON, NORTH DAKOTA

AUDIT REPORT

EXAMINATION FOR THE FISCAL YEAR ENDED JUNE 30, 2018

JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BEACH, NORTH DAKOTA

ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
DICKINSON, NORTH DAKOTA

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Roughrider Area Career and Technology Center
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Roughrider Area Career and Technology Center, Dickinson, North Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Roughrider Area Career and Technology Center, Dickinson, North Dakota, as of June 30, 2018, 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* (omitted) *and budgetary comparison information* on pages 23 – 25 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 omitted the *management's discussion and analysis.* Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of Roughrider Area Career and Technology Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Roughrider Area Career and Technology Center's 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 Roughrider Area Career and Technology Center, Dickinson, North Dakota's internal control over financial reporting and compliance.

James J. Wosepka, PC

By James J. Wosepka CPA

October 1, 2018
Beach, ND

ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF NET POSITION
June 30, 2018

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	72,421
Due from other governments		114,891
Accounts receivable		7,600
Capital assets being depreciated (net of accumulated depreciation)		47,778
Total Assets		242,690
DEFERRED OUTFLOWS OF RESOURCES		103,517
LIABILITIES		
Noncurrent liabilities:		
Due within one year		-
Due in more than one year		284,334
Total Liabilities		284,334
DEFERRED INFLOWS OF RESOURCES		107,646
NET POSITION		
Net investment in capital assets		47,778
Unrestricted net position		(93,551)
Total Net Position	$	(45,773)

The notes to the financial statements are an integral part of this statement.

ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fines, Forfeitures	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Salaries	$ 178,176	$ -	$ -	$ (178,176)
Employee benefits	29,945	-	-	(29,945)
Purchased services	153,782	156,648	-	2,866
Supplies	33,404	-	-	(33,404)
Equipment	20,242	-	-	(20,242)
Administration	18,572	-	-	(18,572)
Other	1,263	-	-	(1,263)
Unallocated depreciation	11,785	-	-	(11,785)
Total governmental activities	$ 447,169	$ 156,648	$ -	$ (290,521)

General revenues:	
Unrestricted State grants	314,717
Unrestricted investment earnings	386
Total general revenues	315,103
Change in net position	24,582
Total net position - July 1, 2017 - as previously reported	(100,518)
Prior period adjustment	30,163
Total net position - July 1, 2017 - as restated	(70,355)
Total net position - June 30, 2018	$ (45,773)

The notes to the financial statements are an integral part of this statement.

ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Description	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	$ 72,421	$ 72,421
Due from other governments	114,891	114,891
Accounts receivable	7,600	7,600
Total Assets	194,912	194,912
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	-	-
Total Liabilities	-	-
Fund balances:		
Unassigned	194,912	194,912
Total Fund Balances	194,912	194,912
Total Liabilities and Fund Balances	$ 194,912	

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.	47,778
Long-term liabilities, including pensions payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(288,463)
Total Net Position - Governmental Activities	$ (45,773)

The notes to the financial statements are an integral part of this statement.

ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

Description		General Fund
REVENUES		
Earnings on investments	$	386
District fees		156,648
State grant		314,717
Total Revenues		471,751
EXPENDITURES		
Current:		
Salaries		177,820
Employee benefits		31,626
Purchased services		153,782
Supplies		33,404
Equipment		49,642
Administration		18,572
Other		1,263
Total Expenditures		466,109
Excess of revenues (under) over expenditures		5,642
Net change in fund balances		5,642
Fund balances - July 1, 2017		189,270
Fund balances - June 30, 2018	$	194,912

The notes to the financial statements are an integral part of this statement.

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

Net change in fund balances - total governmental funds (page 9)	$ 5,642
Amounts reported for governmental activities in the Statement of Activities (page 7) are different because	
Governmental funds report capital outlays as expenditues while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	29,400
Depreciation expense	(11,785)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Accrued compensated absences	(356)
Pensions	1,681
Change in net position in governmental activities	$ 24,582

The notes to the financial statements are an integral part of this statement.

1. **Summary of Significant Accounting Policies**

The financial statements of the Roughrider Area Career and Technology Center (Center) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The Center's significant accounting policies are described below.

Reporting Entity

All operations of the Center are controlled by a Board, comprised of twelve area schools, and responsible for all of the Center's activities. Based on the criteria for determining the reporting entity (legal entity, fiscal and financial dependency), the Center is considered to be an independent reporting entity and has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of Interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Center had no business-type activities during the fiscal year.

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

The Center only has one fund, the General Fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

1. <u>Summary of Significant Accounting Policies – cont.</u>

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Center reports the following major governmental fund:

Major Governmental Funds

<u>Major Funds</u> - Generally accepted accounting principles require that the General Fund be reported as a major fund and that all other governmental funds whose assets, liabilities, revenues, or expenditures exceed 10% or more of the total for all governmental funds also be reported as major funds. Accordingly, the Center reports the following major governmental fund:

> <u>General Fund</u> - This is the Center's primary operating fund and it accounts for all financial resources of the Center except those required to be accounted for in other funds.

<u>Cash and Cash Equivalents</u>
Cash includes amounts in demand deposits and money market accounts. Investments consist of securities issued by the Federal government or one of its agencies. 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 secured with pledges of securities equal to 110% of the uninsured balance.

1. **Summary of Significant Accounting Policies – cont.**

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted is available.

Fund Balance Reporting

The Center has adopted GASB 54 as part of its reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Center's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal (corpus) of an endowment fund. The Center does not have any inventory, prepaid items, or nonspendable funds related to endowments.

In addition to the nonspendable fund balances, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

- Unassigned: fund balance of the General Fund that is not constrained for any particular purpose.

All of the Center's funds balances are considered unassigned.

1. **Summary of Significant Accounting Policies – cont.**

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Vacation and Sick Leave
Liabilities incurred because of unused personal and sick leave accumulated by employees, which is payable upon termination, are reflected in the financial statements. Expenditures for these liabilities are recognized when paid.

Capital Assets
Capital assets are carried at actual or estimated historical cost based on appraisals. Major additions and betterments with a cost in excess of $5,000 are recorded as additions to capital assets. Repair and maintenance costs are not capitalized. Depreciation is computed using the straight-line method and the estimated useful lives are as follows:

Equipment	5 – 7 years

2. **Cash and Cash Equivalents**
State statues authorize local governments to invest in: a) Bonds, treasury bills, and notes or other securities that are a direct obligation of or an obligation insured or guaranteed by the Treasury of the United States or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state, d) Certificates of Deposit, savings deposits, or other deposits fully insured or guaranteed by the Federal Deposit Insurance Corporation and placed for the benefit of the public depositor by a public depository through an appropriate deposit placement service as determined by the Commissioner of Financial Institutions, e) State and local securities, and f) commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

At June 30, 2018, the carrying amount of the Center's deposits (cash and money markets) was $72,421 and the bank balance was $73,179. The entire bank balance throughout the year was covered by Federal Depository Insurance or by collateral held by the pledging financial institution's trust department or agent in the Center's name.

2. **Cash and Cash Equivalents – cont.**

The deposits were deemed collateralized under North Dakota law during the year.

Concentration of Credit Risk

The investment policy of the Center contains no limitations on the amount that can be invested in any one issuer. All of the deposits held in the Center's name are authorized by the State of North Dakota.

Custodial Credit Risk

The investment policy of the Center does not contain legal or policy requirements that would limit exposure to custodial credit risk for deposits other than the provision of state law.

Custodial risk for deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

3. **Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Furniture and equipment	$ 173,568	$ 29,400	$ -	$ 202,968
Total capital assets, being depreciated	173,568	29,400	-	202,968
Accumulated depreciation for:				
Furniture and equipment	(143,405)	(11,785)	-	(155,190)
Total accumulated depreciation	(143,405)	(11,785)	-	(155,190)
Total capital assets, being depreciated, net	30,163	41,185	-	47,778
Governmental activities capital assets, net	$ 30,163			$ 47,778

Depreciation expense was charged to:	
Unallocated	$ 11,785
	$ 11,785

4. **State Retirement Plan**

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the 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 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

4. **State Retirement Plan – cont.**

recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the 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 seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned

4. **State Retirement Plan – cont.**

divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the

4. **<u>State Retirement Plan – cont.</u>**

member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. 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 06/30/2018, the Employer reported a liability of $281,534 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At 06/30/2017, the Employer's proportion was 0.02049717 percent, which was an increase of 0.00581018 from its proportion measured as of 06/30/2016.

For the year ended 06/30/2018, the Employer recognized pension expense of $15,679. At 06/30/2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

4. State Retirement Plan – cont.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,080	$ 3,073
Changes of assumptions	20,067	-
Net difference between projected and actual earnings on pension plan investments	3,889	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,803	104,573
Employer contributions subsequent to the measurement date	17,678	-
Total	$ 103,517	$ 107,646

$103,517 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 06/30/2019.

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:	
2019	$ (6,562)
2020	(462)
2021	(4,281)
2022	(10,982)
2023	(9,338)
Thereafter	9,818

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

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

4. State Retirement Plan – cont.

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

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

- Investment return assumption lowered from 8% 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 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and 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	58%	6.7%
Global Fixed Income	23%	0.8%
Global Real Assets	18%	5.2%
Cash Equivalents	1%	0.0%

Discount rate. The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

4. State Retirement Plan – cont.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer'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 Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	$ 374,304	$ 281,534	$ 204,305

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

5. Risk Management

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Center 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 Center also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Center pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of $1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the Center with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Center participates in the North Dakota Worker's Compensation Bureau 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.

6. Pending Litigation

There was no pending or threatened litigation or un-asserted claims or assessments against the Center through the date of this audit report for the year ended June 30, 2018.

7. 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.

8. Long-term Debt

Compensated Absences

Compensated absences payable represents personal leave and sick leave earned by employees which is payable upon termination. The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

	Beginning Balance	Additions	Reductions	Ending Balance
Personal & sick leave	$ 2,444	$ 356	$ -	$ 2,800
Retirement	215,173	66,361	-	281,534
Total	$ 217,617	$ 66,717	$ -	$ 284,334

See note on retirement plans.

9. Prior Period Restatement

Net position as of July 1, 2017 has been restated to reflect booking capital assets.

10. Subsequent Events

The Center has evaluated subsequent events through the date of this report.

ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Earnings on investments	$ -	$ -	$ 386	$ 386
District fees	-	-	156,648	156,648
State grants	-	-	314,717	314,717
Total revenues	-	-	471,751	471,751
Expenditures:				
Current:				
Salaries	185,950	185,950	177,820	8,130
Employee benefits	51,600	51,600	31,626	19,974
Purchased services	237,500	237,500	153,782	83,718
Supplies	34,000	34,000	33,404	596
Equipment	50,000	50,000	49,642	358
Administration	21,650	21,650	18,572	3,078
Other	4,000	4,000	1,263	2,737
Total expenditures	584,700	584,700	466,109	118,591
Excess of revenues over (under) expenditures	(584,700)	(584,700)	5,642	590,342
Net change in fund balances	$ (584,700)	$ (584,700)	5,642	$ 590,342
Fund balance - beginning - Budget and GAAP basis			189,270	
Fund balance - ending - Budget and GAAP basis			$ 194,912	

See notes to Required Supplementary Information

ROUGHRIDER AREA CAREER AND TECHNOLOGY CENTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

Budgets

Based upon available financial information and requests by the governing board, the Director prepares the preliminary budget. The Center's budget is prepared for the General Fund by function and activity on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before August 15, the board adopts the final budget. The final budget must be filed with the County Auditor by August 25. The governing board may amend the budget during the year for any revenues, and budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Encumbrances

All appropriations, except for construction in progress, lapse at the end of the fiscal year. The Center does utilize a formal encumbrance accounting system. Encumbrance accounting, which is an extension of the budgetary accounting in the General Fund, enables the Center to record purchase orders, contacts, and other commitments for the expenditure of monies in order to assign that portion of the applicable appropriation. Encumbrances at year end are shown as expenditures in the budget-to actual statements and as assignments of fund balance on the balance sheet.

ND Teachers Fund for Retirement

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

	2015	2016	2017	2018
1. Employer's proportion of the net pension liability (asset)	0.027540%	0.026034%	0.01468699%	0.02049717%
2. Employer's proportionate share of the net pension liability (asset)	$ 288,570	$ 340,487	$ 215,173	$ 281,534
3. Employer's covered-employee payroll	$ 159,749	$ 160,135	$ 95,425	$ 138,350
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.64%	212.62%	225.49%	203.49%
5. Plan fiduciary net position as a percentage of the total pension liability	10.75%	12.75%	59.20%	63.2%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – CONT.

Schedule of Employer Contributions
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018
Statutorily required contribution	$ 17,173	$ 20,416	$ 12,167	$ 17,640	$ 17,678
Contributions in relation to the statutorily required contribution	$ (17,173)	$ (20,416)	$ (12,167)	$ (17,640)	$ (17,678)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 159,749	$ 160,135	$ 95,425	$ 138,350	$ 138,650
Contributions as a percentage of covered-employee payroll	10.75%	12.75%	12.75%	12.75%	12.75%

*Complete data for this schedule is not available prior to 2014.

Changes of assumptions. Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- 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 mortality tables with generational improvement.

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

Board of Directors
Roughrider Area Career and Technology Center
Dickinson, 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 and general fund of Roughrider Area Career and Technology Center, Dickinson, North Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Roughrider Area Career and Technology Center, Dickinson, North Dakota's basic financial statements, and have issued our report thereon dated October 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roughrider Area Career and Technology Center, Dickinson, North Dakota'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 Roughrider Area Career and Technology Center, Dickinson, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of Roughrider Area Career and Technology Center, Dickinson, North Dakota'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roughrider Area Career and Technology Center, Dickinson, North Dakota'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

James J. Wosepka, PC

By James J. Wosepka CPA

October 1, 2018
Beach, North Dakota