

**ROUGH RIDER AREA CAREER AND
TECHNOLOGY CENTER
DICKINSON, NORTH DAKOTA**

AUDIT REPORT

**EXAMINATION FOR THE FISCAL
YEAR ENDED JUNE 30, 2017**

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

**ROUGH RIDER AREA CAREER AND
TECHNOLOGY CENTER
DICKINSON, NORTH DAKOTA**

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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, 2017, 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.

Basis for Qualified Opinion

Management has not recorded capital assets in the governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of not recording capital assets as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Roughrider Area Career and Technology Center, Dickinson, North Dakota, as of June 30, 2017, 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 22 – 24 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 December 12, 2017, 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 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*
CPT

December 12, 2017
Beach, ND

ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 17,771
Due from other governments	178,900
Total Assets	196,671
 DEFERRED OUTFLOWS OF RESOURCES	 54,834
LIABILITIES	
Accounts payable	7,401
Noncurrent liabilities:	
Due in more than one year	217,617
Total Liabilities	225,018
 DEFERRED INFLOWS OF RESOURCES	 127,005
NET POSITION	
Unrestricted	(100,518)
Total Net Position	\$ (100,518)

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

ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services, Fines, Forfeitures	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Salaries	\$ 191,431	\$ -	\$ -	(191,431)
Employee benefits	13,188	-	-	(13,188)
Purchased services	167,471	134,784	-	(32,687)
Supplies	13,715	-	-	(13,715)
Equipment	36,123	-	-	(36,123)
Administration	18,900	-	-	(18,900)
Other	1,205	-	-	(1,205)
Total governmental activities	\$ 442,033	\$ 134,784	\$ -	(307,249)

General revenues:

Unrestricted State grants	295,808
Unrestricted investment earnings	288
Total general revenues and transfers	<u>296,096</u>
Change in net position	(11,153)
Total net position - July 1, 2016	(89,365)
Total net position - June 30, 2017	<u>\$ (100,518)</u>

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

**ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

Description	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 17,771	\$ 17,771
Due from other governments	178,900	178,900
Total Assets	196,671	196,671
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	7,401	7,401
Total Liabilities	7,401	7,401
Fund balances:		
Unassigned	189,270	189,270
Total Fund Balances	189,270	189,270
 Total Liabilities and Fund Balances	 \$ 196,671	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including pensions payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(289,788)
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Total Net Position - Governmental Activities	\$ (100,518)
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The notes to the financial statements are an integral part of this statement.

**ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2017**

Description	General Fund
REVENUES	
Earnings on investments	\$ 288
District fees	134,784
State grant	295,808
Total Revenues	430,880
EXPENDITURES	
Current:	
Salaries	188,987
Employee benefits	32,243
Purchased services	167,471
Supplies	13,715
Equipment	36,123
Administration	18,900
Other	1,205
Total Expenditures	458,644
Excess of revenues (under) over expenditures	(27,764)
Net change in fund balances	(27,764)
Fund balances - July 1, 2016	217,034
Fund balances - June 30, 2017	\$ 189,270

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

ROUGH RIDER 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, 2017

Net change in fund balances - total governmental funds (page 9)	<u>\$ (27,764)</u>
<p>Amounts reported for governmental activities in the Statement of Activities (page 7) are different because</p>	
<p>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</p>	
Accrued compensated absences	(2,444)
Pensions	<u>19,055</u>
Change in net position in governmental activities	<u><u>\$ (11,153)</u></u>

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

ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
DICKINSON, NORTH DAKOTA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

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

Major Funds - 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:

General Fund - 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.

Cash and Cash Equivalents

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.

2. **Cash and Cash Equivalents**

State statutes 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, 2017, the carrying amount of the Center's deposits (cash and money markets) was \$17,771 and the bank balance was \$86,925. 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.

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.

2. Cash and Cash Equivalents – cont.

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. 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 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.

3. **State Retirement Plan – cont.**
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 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

3. State Retirement Plan – cont.

longer employed as a teacher, and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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.

3. State Retirement Plan – cont.

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

At June 30, 2017, the Employer reported a liability of \$215,173 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 June 30, 2016, the Employer's proportion was 0.01468699 percent, which was a decrease of 0.01134701 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of \$(1,355). At June 30, 2017, the Employer 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	\$ 1,016	\$ 1,019
Changes of assumptions	17,973	-
Net difference between projected and actual earnings on pension plan investments	17,887	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	125,986
Employer contributions subsequent to the measurement date	17,958	-
Total	\$ 54,834	\$ 127,005

\$54,834 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 June 30, 2018.

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:		
2018	\$	(14,775)
2019		(14,775)
2020		(10,405)
2021		(13,141)
2022		(17,943)
Thereafter		(19,090)

3. State Retirement Plan – cont.

Actuarial assumptions. The total pension liability in the July 1, 2016 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.

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, 2016 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%	7.3%
Global Fixed Income	23%	0.9%
Global Real Assets	18%	5.3%
Cash Equivalents	1%	0.0%

3. **State Retirement Plan – cont.**

Discount rate. The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2016. 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, 2016 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, 2016. 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, 2016.

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	\$ 279,096	\$ 215,173	\$ 161,932

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.

4. **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

4. **Risk Management – cont.**

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.

5. **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, 2017.

6. **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.

7. **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	\$ -	\$ 2,444
Retirement	340,487	-	125,314	215,173
Total	<u>\$ 340,487</u>	<u>\$ 2,444</u>	<u>\$ 125,314</u>	<u>\$ 217,617</u>

See note on retirement plans.

8. **Subsequent Events**

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

ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended June 30, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:				
Earnings on investments	\$ -	\$ -	\$ 288	\$ 288
District fees	-	-	134,784	134,784
State grants	-	-	295,808	295,808
Total revenues	<u>-</u>	<u>-</u>	<u>430,880</u>	<u>430,880</u>
Expenditures:				
Current:				
Salaries	147,950	147,950	188,987	(41,037)
Employee benefits	51,315	51,315	32,243	19,072
Purchased services	139,100	139,100	167,471	(28,371)
Supplies	39,500	39,500	13,715	25,785
Equipment	20,000	20,000	36,123	(16,123)
Administration	32,100	32,100	18,900	13,200
Other	4,000	4,000	1,205	2,795
Total expenditures	<u>433,965</u>	<u>433,965</u>	<u>458,644</u>	<u>(24,679)</u>
Excess of revenues over (under) expenditures	<u>(433,965)</u>	<u>(433,965)</u>	<u>(27,764)</u>	<u>406,201</u>
Net change in fund balances	<u>\$ (433,965)</u>	<u>\$ (433,965)</u>	<u>(27,764)</u>	<u>\$ 406,201</u>
Fund balance - beginning - Budget and GAAP basis			<u>217,034</u>	
Fund balance - ending - Budget and GAAP basis			<u>\$ 189,270</u>	

See notes to Required Supplementary Information

**ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

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.

The Center overspent it's budget.

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, contracts, 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
1. Employer's proportion of the net pension liability (asset)	0.027540%	0.026034%	0.01468699%
2. Employer's proportionate share of the net pension liability (asset)	\$ 288,570	\$ 340,487	\$ 215,173
3. Employer's covered-employee payroll	\$ 159,749	\$ 160,135	\$ 95,425
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%
5. Plan fiduciary net position as a percentage of the total pension liability	10.75%	12.75%	59.20%

*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***

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

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

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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Licensed in North Dakota and Montana

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, 2017, 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 December 12, 2017.

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* and which are described in the accompanying schedule of findings on page 27.

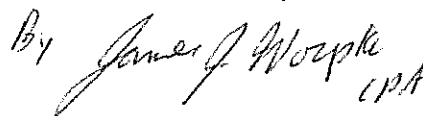
Roughrider Area Career & Technology Center's Response to Findings

Roughrider Area Career & Technology Center's response to the findings identified in our audit is described in the accompanying schedule of findings. Roughrider Area Career & Technology Center'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 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  CPA

December 12, 2017
Beach, North Dakota

ROUGH RIDER AREA CAREER AND TECHNOLOGY CENTER
DICKINSON, NORTH DAKOTA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2017

1. **CAPITALIZED ASSETS (Repeat of Prior Year)**
GASB 34 requires governmental entities to capitalize and report capital assets net of accumulated depreciation. The Center has fixed assets, but does not have them reported on the financial statement.

Recommendation

The Center should detail the fixed assets owned by the Center and report them on the Statement of Net Position.

2. **OVERSPENT BUDGET**
The Center's General Fund was overspent.

Recommendation

The problem was discussed with management. The Center needs to monitor their disbursement, especially those at year end to be sure there is budget authority.

Center's Response

The Center will monitor expenditures and Budget to Actual better. If necessary, amend the budget prior to incurring the liabilities.