

RURAL CASS COUNTY MULTI-DISTRICT
SPECIAL EDUCATION UNIT
MAPLETON, NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT

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RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
LIST OF OFFICIALS
JUNE 30, 2016

BOARD OF DIRECTORS

	<u>OFFICE</u>	<u>School</u>
Steve Hall	President	Kindred
Tim Jacobson	Vice-president	Mapleton
Mark Weston		Central Cass
Allen Burgad		Northern Cass

ADMINISTRATION

Brenda Jordan	Director
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Harold J. Rotunda

Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

Governing Board
Rural Cass Multi-District Special Education Unit
Mapleton, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, the major fund of Rural Cass Multi-District Special Education Unit as of and for the year ended June 30, 2015 and 2016, and the related notes to the financial statements, which collectively comprise the Unit'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the major fund of Rural Cass Multi-District Special Education Unit as of June 30, 2015 and 2016, and the changes in the modified cash basis financial position for the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My 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, I have also issued reports dated November 16, 2017, on my considerations of the Unit's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Unit's internal control over financial reporting and compliance.



West Fargo, North Dakota
November 16, 2017

405 West Main Avenue Box 816 West Fargo, ND 58078 Phone (701)281-0483 Cell 212-3908

RURAL CASS SPECIAL EDUCATION UNIT
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2016

ASSETS

Cash and investments 280,543.10

-

Capital assets (net of accumulated depreciation)

Total Assets 280,543.10

LIABILITIES

Total liabilities -

NET POSITION

-

Unrestricted 280,543.10

Total Net Position 280,543.10

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

RURAL CASS SPECIAL EDUCATION UNIT
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (expense)
		Charges for Services	Operating grants and Contributions	Revenue & Change: in Net Position
				Governmental Activities
Governmental Activities:				
Instruction				
Regular	902,513.69		580,358.58	(322,155.11)
Speech impaired	283,361.14			(283,361.14)
Hearing impaired				-
Preschool	192,157.24			(192,157.24)
Tuition	421,414.18			(421,414.18)
Support Services				
Board services	27,197.31			(27,197.31)
Administrative	117,720.59			(117,720.59)
Pupil Transportation Services	4,475.12			(4,475.12)
Social worker	55,799.10			(55,799.10)
Physical therapy	37,301.30			(37,301.30)
Occupational therapy	135,475.95			(135,475.95)
Psychologist	39,716.22			(39,716.22)
Total Governmental Activities	2,217,131.84	-	580,358.58	(1,636,773.26)
General Revenues				
	Assessments levied on member districts			1,520,000.00
				-
	Tuition reimbursements			37,939.61
	Interest income and other revenue			24,566.98
	Total General Revenues			1,582,506.59
	Change in Net Position			(54,266.67)
	Net Position- July1			334,809.77
	Net Position- June 30			280,543.10

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

RURAL CASS SPECIAL EDUCATION UNIT
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
JUNE 30, 2016

GENERAL

ASSETS

Cash and investments 280,543.10

-

Total Assets 280,543.10

LIABILITIES

-

Total liabilities -

FUND BALANCE

Unassigned 280,543.10

Total fund balance 280,543.10

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

RURAL CASS SPECIAL EDUCATION UNIT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2016

	GENERAL
District assessments	1,520,000.00
Other local sources	62,506.59
State sources	111,680.58
Federal sources	468,678.00
 Total Revenues	 2,162,865.17
 Current:	
Instruction	
Regular	902,513.69
Speech impaired	283,361.14
Hearing impaired	
Preschool	192,157.24
Tuition	421,414.18
Support Services	
Board services	27,197.31
Administrative	117,720.59
Pupil Transportation Services	4,475.12
Social worker	55,799.10
Physical therapy	37,301.30
Occupational therapy	135,475.95
Psychologist	39,716.22
 Total Expenditures	 2,217,131.84
 Excess revenues (expenditures)	 (54,266.67)
 Other Financing Sources (Uses):	
Transfers in	
Transfers out	
Bond proceeds	
Total other financing sources and uses	-
 Net change in fund balances	 (54,266.67)
 Fund Balance- beginning	 334,809.77
 Fund Balance- ending	 280,543.10

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

RURAL CASS SPECIAL EDUCATION UNIT
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2015

ASSETS

Cash and investments 334,809.77

-

Capital assets (net of accumulated depreciation)

Total Assets 334,809.77

LIABILITIES

Total liabilities -

NET POSITION

-

Unrestricted 334,809.77

Total Net Position 334,809.77

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

RURAL CASS SPECIAL EDUCATION UNIT
 STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (expense) Revenue & Change: in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Regular	920,840.81		549,339.64	(371,501.17)
Speech impaired	277,235.82			(277,235.82)
Hearing impaired	53,783.20			(53,783.20)
Preschool	193,963.00			(193,963.00)
Tuition	396,104.39			(396,104.39)
Support Services				
Board services	19,139.46			(19,139.46)
Administrative	113,846.19			(113,846.19)
Pupil Transportation Services	4,113.20			(4,113.20)
Social worker	58,033.93			(58,033.93)
Physical therapy	31,250.00			(31,250.00)
Occupational therapy	127,973.96			(127,973.96)
 Total Governmental Activities	 2,196,283.96	 -	 549,339.64	 (1,646,944.32)
 General Revenues				
	Assessments levied on member districts			1,469,335.00
				-
	Tuition reimbursements			50,803.06
	Interest income and other revenue			33,510.90
	Total General Revenues			1,553,648.96
	Change in Net Position			(93,295.36)
	Net Position- July1			428,105.13
	Net Position- June 30			334,809.77

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

RURAL CASS SPECIAL EDUCATION UNIT
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
JUNE 30, 2015

GENERAL

ASSETS

Cash and investments 334,809.77

-

Total Assets 334,809.77

LIABILITIES

-

Total liabilities -

FUND BALANCE

Unassigned 334,809.77

Total fund balance 334,809.77

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

RURAL CASS SPECIAL EDUCATION UNIT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2015

	GENERAL
District assessments	1,469,335.00
Other local sources	84,313.96
State sources	76,142.64
Federal sources	473,197.00
 Total Revenues	 2,102,988.60
 Current:	
Instruction	
Regular	920,840.81
Speech impaired	277,235.82
Hearing impaired	53,783.20
Preschool	193,963.00
Tuition	396,104.39
Support Services	
Board services	19,139.46
Administrative	113,846.19
Pupil Transportation Services	4,113.20
Social worker	58,033.93
Physical therapy	31,250.00
Occupational therapy	127,973.96
 Total Expenditures	 2,196,283.96
 Excess revenues (expenditures)	 (93,295.36)
 Other Financing Sources (Uses):	
Transfers in	
Transfers out	
Bond proceeds	
Total other financing sources and uses	-
 Net change in fund balances	 (93,295.36)
 Fund Balance- beginning	 428,105.13
 Fund Balance- ending	 334,809.77

The accompanying notes are an integral part of these financial statements.
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RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
MAPLETON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rural Cass County Multi-District Special Education Unit (Unit) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Unit's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are no one component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the Unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through assessments, intergovernmental revenues, and other nonexchange transactions.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Unit's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including all assessments, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Unit's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Unit reports the following major governmental fund: General Fund. This is the Unit's primary operating fund. It accounts for all financial resources of the Unit.

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

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

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

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

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

All governmental funds of the Unit follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets

Based upon available financial information and requests by the board, the director prepares the Unit budget. The budget is prepared on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

Investments consist of certificates of deposits stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

Property, plant, and equipment of the Unit is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles	10
Other Equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance

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

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

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

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

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

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

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

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

The board has set a minimum fund balance target at 10% of expenditures and recurring transfers.

I. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

J. Use of 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.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board did not amend the General fund budget.

EXPENDITURES OVER APPROPRIATIONS

The Unit did not overspend the general fund budget in 2016. No remedial action is required by the Unit.

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

At June 30, 2016, the Unit's carrying amount of deposits was \$204,662. Of the bank balances, \$204,662 was covered by Federal Depository Insurance.

Credit Risk

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

Concentration of Credit Risk

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

NOTE 4: CAPITAL ASSETS

The Unit had no fixed assets that met the capitalization criteria.

NOTE 5: PENSION PLANS

North Dakota Teachers Fund for Retirement TFFR
Summary of Significant Accounting Policies

General Information about the Pension Plan

North Dakota Teacher's Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR Is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

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 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.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

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 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 50 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 65, 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.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

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 70 ½. 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 Expense Related to Pensions

For the year ended June 30, 2015, the Employer recognized pension expense of \$1,153,506.

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:

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

Inflation	3.00%
Salary increases service, productivity	4.50% to 14.75%, varying by including inflation and
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for TFFR.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equities	57%	7.53%
Global Fixed Income	22%	1.40%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate. The discount rate used to measure the total pension liability was 8 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, 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

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

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.

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

NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM (NDPERS)

The City participates in the North Dakota Public Employees Retirement System (NDPERS) - Main System. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

A. DESCRIPTION OF PENSION PLAN

NDPERS is a cost-sharing multiple-employer defined benefits pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the governor, one member appointed by the Attorney General; one member appointed by the State Health Officer, three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

B. PENSION BENEFITS

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85) or at normal retirement age of (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

C. DEATH AND DISABILITY BENEFITS

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

D. REFUNDS OF MEMBER ACCOUNT BALANCE

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service - Greater of one percent of monthly salary or \$25
13 to 25 months of service - Greater of two percent of monthly salary or \$25
25 to 36 months of service - Greater of three percent of monthly salary or \$25
Longer than 36 months of service - Greater of four percent of monthly salary or \$25

E. MEMBER AND EMPLOYER CONTRIBUTIONS

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

F. PENSION EXPENSE RELATED TO PENSIONS

\$150,211 reported as expense related to pensions resulting from Employer contributions for the year ended December 31, 2015.

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	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS. 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
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 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.

RURAL CASS COUNTY MULTI-DISTRICT SPECIAL EDUCATION UNIT
Notes to Financial Statements- Continued

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

NOTE 6: RISK MANAGEMENT

The Unit 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 Unit pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence..

The State Bonding Fund currently provides the Unit with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The Unit has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

RURAL CASS MULTI-DISTRICT SPECIAL EDUCATION UNIT

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JUNE 30, 2015 AND 2016

Rural Cass Multi-District Special Education Unit
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Harold J. Rotunda

Certified Public Accountant

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

Independent Auditor's Report

Governing Board
Rural Cass Multi-District Special Education Unit
Mapleton, North Dakota

I 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 the major fund of Rural Cass Multi-District Special Education Unit as of and for the years ended June 30, 2015 and 2016, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Rural Cass Multi-District Special Education Unit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2016-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Cass Multi-District Special Education Unit's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Unit's Response to Findings

Rural Cass Multi-District Special Education Unit's response to the finding identified in my audit is described in the accompanying schedule of findings. Rural Cass Multi-District Special Education Unit's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Harold Rotunda, CPA
November 16, 2017

RURAL CASS MULTI-DISTRICT SPECIAL EDUCATION UNIT
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEARS ENDED JUNE 30, 2015 AND 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	_X_	No
Significant deficiencies identified not Considered to be material weaknesses	_X_	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	_X_	No

Section II- Financial Statement Findings

Finding No. 2016-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the Unit's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

RURAL CASS MULTI-DISTRICT SPECIAL EDUCATION UNIT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2016

Recommendation

While I recognize that the Unit office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the Unit.

Client Response

At the present time, the Unit has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.