

**FOUR WINDS ELEMENTARY SCHOOL
FORT TOTTEN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	Page
ROSTER OF SCHOOL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to the Basic Financial Statements	17
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	32
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	34
Schedule of Expenditures of Federal Awards	37
Notes to the Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39
Summary Schedule of Prior Year Findings	45
Corrective Action Plan	50

FOUR WINDS ELEMENTARY SCHOOL
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2016

Arthur Carmoa	President
David Davidson	Vice President
Ivan Lovejoy	Board Member
Dixie Omen	Board Member
Colleen Chaske	Board Member
Jackie Thompson	Superintendent
Perry Kopp	Business Manager

* * * * *



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Four Winds Elementary School
Fort Totten, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Four Winds Elementary School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Four Winds Elementary School, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

November 9, 2018

**FOUR WINDS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The discussion and analysis of Four Winds Elementary School's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key Financial highlights for 2016 are as follows:

- Net position of the District decreased \$795,960 as a result of the current year's operations.
- Governmental net position totaled \$1,280,985.
- Total revenues from all sources were \$7,957,961.
- Total expenses were \$8,753,921.
- The District's general fund had \$7,957,961 in total revenues and \$8,394,588 in expenditures. Overall, the general fund balance decreased by \$436,627 for the year ended June 30, 2016.

Using this Annual Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

FOUR WINDS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

In the statement of net position and the statement of activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services and administration.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund Financial statements provide detailed information about the District's major funds. The District uses several funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's major governmental fund is the General Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Financial Analysis of the District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2016 and 2015.

As indicated in the financial highlights, the District's net position decreased by \$795,960 as a result of current year operations. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$1,280,985 is segregated into two separate categories. Net Investment in Capital Assets represents 80.8% of the District's entire net position. It should be noted that these assets are not available for future spending. The remaining unrestricted net position represents 19.2% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

FOUR WINDS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Table 1
Net Position

	2016	2015
Assets		
Current Assets	\$ 2,949,787	\$ 2,885,863
Capital Assets (Net of Acc. Depreciation)	1,035,125	1,434,792
Total Assets	3,984,912	4,320,655
Liabilities		
Current Liabilities	2,605,205	2,104,654
Long-Term Liabilities	98,722	139,056
Total Liabilities	2,703,927	2,243,710
Net Position		
Net Investment in Capital Assets	1,035,125	1,434,792
Unrestricted	245,860	642,153
Total Net Position	\$ 1,280,985	\$ 2,076,945

FOUR WINDS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Table 2 shows the changes in net position for fiscal years ended June 30, 2016 and 2015.

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	\$ 9,775	\$ 11,690
Operating Grants and Contributions	7,882,419	8,513,266
General Revenues		
Miscellaneous Revenue	40,926	43,103
Investment Earnings	<u>24,841</u>	<u>88,327</u>
Total Revenues	<u>7,957,961</u>	<u>8,656,386</u>
Expenses		
Instructional Support Services	157,407	112,530
Administration	385,571	450,677
Operations and Maintenance	798	3,738
Transportation	506,229	476,861
Regular Instruction	5,713,887	6,092,706
Food Service	579,565	624,242
Special Education	1,351,996	1,273,841
Extra-Curricular Activities	<u>58,468</u>	<u>118,994</u>
Total Expenses	<u>8,753,921</u>	<u>9,153,589</u>
Change in Net Position	(795,960)	(497,203)
Net Position - Beginning	<u>2,076,945</u>	<u>2,574,148</u>
Net Position- Ending	<u>\$ 1,280,985</u>	<u>\$ 2,076,945</u>

Operating grants and contributions constituted 99.1%, charges for services made up 0.1%, investment earnings made up 0.3%, and miscellaneous revenue made up 0.5% of the total revenues of governmental activities of the District for the fiscal year 2016.

Instructional support services constituted 1.8%, administration made up 4.4%, transportation made up 5.8%, regular instruction made up 65.3%, food services made up 6.6%, and special education made up 15.4% of District expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by operating grants and contributions.

FOUR WINDS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Table 3
Cost of Services

	Total Cost for Year Ended 6/30/2016	Net Cost for Year Ended 6/30/2016	Total Cost for Year Ended 6/30/2015	Net Cost for Year Ended 6/30/2015
Instructional Support Services	\$ 157,407	\$ (157,407)	\$ 112,530	\$ (112,530)
Administration	385,571	(385,571)	450,677	(450,677)
Operations and Maintenance	798	(798)	3,738	(3,738)
Transportation	506,229	(174,499)	476,861	(156,041)
Regular Instruction	5,713,887	(70,393)	6,092,706	254,698
Food Service	579,565	42,662	624,242	(41,352)
Special Education	1,351,996	(57,253)	1,273,841	1
Extra-Curricular Activities	58,468	(58,468)	118,994	(118,994)
Total Expenses	<u>\$ 8,753,921</u>	<u>\$ (861,727)</u>	<u>\$ 9,153,589</u>	<u>\$ (628,633)</u>

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Administration includes expenses associated with administrative and financial supervision of the District.

Operations and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Special education includes costs that support the education of students with other needs.

Extra-curricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

**FOUR WINDS ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

Capital Assets

As of June 30, 2016, the District had \$1,035,125 invested in capital assets. See Note 5 for additional information. Table 4 shows balances as of June 30, 2016 and 2015.

Table 4

Capital Assets (Net of Depreciation) at June 30,		
	2016	2015
Vehicles	\$ 58,425	\$ 97,375
Furniture and Equipment	976,700	1,337,417
	\$ 1,035,125	\$ 1,434,792

Debt Administration

As of June 30, 2016, the District has \$98,722 in outstanding debt, with none due within one year. See Note 6 for detail. See below for a description of the District's debt:

Type	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due within One Year
Compensated Absences	\$ 139,056	\$ -	\$ 40,334	\$ 98,722	\$ -
Total	\$ 139,056	\$ -	\$ 40,334	\$ 98,722	\$ -

For the Future

The District will maintain its current staffing and consider any budgetary needs based on the needs of the District. Four Winds Elementary School has experienced a reduction in enrollment and will account for it by looking at all efficiencies and monitoring of current staffing, resources and student needs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, tax payers, investors and creditors with the general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Perry Kopp, Business Manager, Four Winds Elementary School, 7268 HWY 57, Fort Totten, ND 58335.

FOUR WINDS ELEMENTARY SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	
Cash	\$ 11,233
Investments	2,744,427
Due From Other Districts	138,197
Grants Receivable	55,930
Total Current Assets	<u>2,949,787</u>
Capital Assets (Net of Accumulated Depreciation)	
Equipment	<u>1,035,125</u>
TOTAL ASSETS	<u><u>3,984,912</u></u>
LIABILITIES	
Accounts Payable	55,547
Unearned Revenue	2,549,658
Total Current Liabilities	<u>2,605,205</u>
Long-Term Liabilities	
Compensated Absences	<u>98,722</u>
Total Long-Term Liabilities	<u>98,722</u>
TOTAL LIABILITIES	<u><u>2,703,927</u></u>
NET POSITION	
Net Investment in Capital Assets	1,035,125
Unrestricted	245,860
TOTAL NET POSITION	<u><u>\$ 1,280,985</u></u>

See Notes to the Basic Financial Statements

FOUR WINDS ELEMENTARY SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES				
Instructional Support Services	\$ 157,407	\$ -	\$ -	\$ (157,407)
Administration	385,571	-	-	(385,571)
Operations and Maintenance	798	-	-	(798)
Transportation	506,229	-	331,730	(174,499)
Regular Instruction	5,713,887	-	5,643,494	(70,393)
Food Service	579,565	9,775	612,452	42,662
Special Education	1,351,996	-	1,294,743	(57,253)
Extra-Curricular Activities	58,468	-	-	(58,468)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,753,921	\$ 9,775	\$ 7,882,419	(861,727)
GENERAL REVENUES				
Miscellaneous Revenue				40,926
Unrestricted Investment Earnings				24,841
TOTAL GENERAL REVENUES				65,767
Change in Net Position				(795,960)
Net Position - Beginning				2,076,945
Net Position - Ending				\$ 1,280,985

See Notes to the Basic Financial Statements

FOUR WINDS ELEMENTARY SCHOOL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund
ASSETS	
Cash	\$ 11,233
Investments	2,744,427
Due From Other Districts	138,197
Grants Receivable	55,930
TOTAL ASSETS	\$ 2,949,787
 LIABILITIES	
Accounts Payable	\$ 55,547
Unearned Revenue	2,549,658
TOTAL LIABILITIES	2,605,205
 FUND BALANCES	
Unassigned	344,582
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,949,787

See Notes to the Basic Financial Statements

FOUR WINDS ELEMENTARY SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - governmental funds \$ 344,582

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as net position in government funds:

Cost of capital assets	\$ 4,832,549	
Less: accumulated depreciation	<u>(3,797,424)</u>	
Net		1,035,125

Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.

Compensated Absences	<u>(98,722)</u>	
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Net Position - Governmental Activities	\$ 1,280,985
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See Notes to the Basic Financial Statements

FOUR WINDS ELEMENTARY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
– GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>
REVENUES	
Charges for Services	\$ 9,775
Revenue From Federal Sources	7,882,419
Other Revenue	40,926
Interest	<u>24,841</u>
TOTAL REVENUES	<u>7,957,961</u>
EXPENDITURES	
Current:	
Instructional Support Services	157,407
Administration	385,571
Operations and Maintenance	798
Transportation	467,279
Regular Instruction	5,365,869
Special Education	1,351,996
Food Services	579,565
Extra-Curricular Activities	58,468
Capital Outlay	<u>27,635</u>
TOTAL EXPENDITURES	<u>8,394,588</u>
Net Change in Fund Balances	(436,627)
Fund Balance - Beginning of Year	<u>781,209</u>
Fund Balance - End of Year	<u><u>\$ 344,582</u></u>

See Notes to the Basic Financial Statements

FOUR WINDS ELEMENTARY SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total net changes in fund balances - Governmental Funds \$ (436,627)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlays	\$ 27,635	
Depreciation Expense	<u>(427,302)</u>	(399,667)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in :

Compensated Absences		<u>40,334</u>
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Change in net position - Governmental Activities \$ (795,960)

See Notes to the Basic Financial Statements

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Four Winds Elementary School operates in Fort Totten, North Dakota.

Reporting Entity - Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of an organization's governing body and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the School. Fiscal dependence can include the School's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on these criteria, there are no component units to be included within the School's reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The School's significant accounting policies are described below.

Basis of Presentation

The School's basic financial statements consist of government-wide statements and fund financial statements.

Government-Wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the School as a whole.

The statement of net position presents the financial condition of the governmental activities of the School at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the School. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the School segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The School's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the Schools' governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets, deferred inflows and outflows of resources, and liabilities. The School's major governmental fund is as follows:

General Fund:

This fund is the general operating fund of the School. It accounts for all financial resources except those requiring to be accounted for in another fund.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows and inflows of resources, and liabilities associated with the operation of the School are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources and uses of current financial resources.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the School's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

Revenues-Exchange and Non-Exchange Transactions:

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the School receives value without directly providing value in return. Non-exchange transactions include grants, entitlements, and donations.

Under the accrual basis of accounting, revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the School.

Major revenue sources susceptible to accrual include: intergovernmental revenues and investment income.

Unearned Revenues:

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the School's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amounts shown in the financial statements are the final authorized amounts.
3. All appropriations lapse at the close of the School's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Cash and Cash Equivalents:

The School considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments are recorded at fair value. North Dakota State statute authorizes schools to invest their surplus funds 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, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the School's fiscal year. The School has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their fair market values at the date received. The School does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

Capital assets are depreciated over their estimated useful lives on a straight-line basis. The School has established the following useful lives:

Equipment and Fixtures	5 to 20 years
Vehicles	8 years

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the School's government wide financial statements. The School's governmental fund financials report only those obligations that will be paid from current financial resources.

Compensated Absences:

It is the School's policy to permit employees to accumulate earned but unused vacation and sick leave time. The payout of unused vacation and sick leave time will be paid out at \$100 per day up to a maximum of 40 days. All vacation and sick pay is accrued when incurred in the School-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

Fund Balance Classifications:

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items, or legally or contractually required to be maintained intact.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the Board of Education and/or management.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the School's preference is to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the School's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and are either unusual in nature or infrequent in occurrence.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Significant Group Concentrations of Credit Risk:

As of June 30, 2016, the School's receivables consist of amounts due from other governmental units within the State of North Dakota and the Bureau of Indian Affairs.

NOTE 3 CASH

Custodial Credit Risk - Deposits

In accordance with North Dakota laws, the School maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the School treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2016, the carrying amount of the School's deposits was \$11,233 and the bank balance was \$79,470. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the School's Agent in the School's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk

The School may also invest idle funds as authorized by North Dakota laws, as follows:

- 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 in 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. Obligations of the state.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The School places no limit on the amount the School may invest in any one issuer.

Custodial Credit Risk – Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE 4 INVESTMENTS

As of June 30, 2016, the School had the following investments and maturities:

	6/30/2016	Less than				Fair Value Measurements Using			Rating	Agency
		One Year	1-5 Years	6-10 Years	>10 Years	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments by Fair Value Level										
Cash & Cash Alternatives	\$ 29,145	\$ 29,145	\$ -	\$ -	\$ -	\$ 29,145	\$ -	\$ -	N/A	N/A
Government Sponsored Enterprise Securities										
Federal National Mortgage Association	184,703	-	-	-	184,703	-	184,703	-	Aaa	Moody's
Asset-Backed Securities, Mortgage-Backed Securities and Collateralized Mortgage Obligations										
Freddie Mac Group	51,364	-	3,385	-	47,979	-	51,364	-	Not Rated	N/A
FHLMC	6,025	-	-	6,025	-	-	6,025	-	Not Rated	N/A
FHLMC REMIC	373,735	-	-	-	373,735	-	373,735	-	Not Rated	N/A
Fannie Mae Pool Conv Long Term	20,923	-	-	-	20,923	-	20,923	-	Not Rated	N/A
FNMA REMIC Trust	419,416	-	-	-	419,416	-	419,416	-	Not Rated	N/A
Fannie Mae Pool Conv Intermediate	1,118	1,118	-	-	-	-	1,118	-	Not Rated	N/A
Ginnie Mae Pool I 30 YR Single Family	70,021	-	-	-	70,021	-	70,021	-	Not Rated	N/A
Ginnie Mae Pool I 30 YR Single Family - Platinum	13,712	-	-	-	13,712	-	13,712	-	Not Rated	N/A
Ginnie Mae Pool II 30 YR Single Family - Jumbo	240,874	-	-	-	240,874	-	240,874	-	Not Rated	N/A
Ginnie Mae Pool II 30 YR Single Family - Custom	135,443	-	-	-	135,443	-	135,443	-	Not Rated	N/A
Ginnie Mae Pool II	392,764	-	-	-	392,764	-	392,764	-	Not Rated	N/A
GNMA REMIC Trust	725,634	-	-	-	725,634	-	725,634	-	Not Rated	N/A
GNMA REMIC	79,550	-	-	-	79,550	-	79,550	-		
Total Investments by Fair Value Level	\$2,744,427	\$ 30,263	\$ 3,385	\$ 6,025	\$2,704,754	\$ 29,145	\$2,715,282	\$ -		

Unearned grant proceeds have been invested and can be liquidated to cover grant expenses. The investments noted above are not expected to be held to maturity and are available to be used as necessary.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets during the year:

	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Governmental Activities				
Vehicles	\$ 389,500	\$ -	\$ -	\$ 389,500
Furniture & Equipment	4,415,414	27,635	-	4,443,049
Total	<u>4,804,914</u>	<u>27,635</u>	<u>-</u>	<u>4,832,549</u>
Less Accumulated Depreciation				
Vehicles	292,125	38,950	-	331,075
Furniture & Equipment	3,077,997	388,352	-	3,466,349
Total	<u>3,370,122</u>	<u>427,302</u>	<u>-</u>	<u>3,797,424</u>
Net Capital Assets for Governmental Activities	<u>\$ 1,434,792</u>	<u>\$(399,667)</u>	<u>\$ -</u>	<u>\$ 1,035,125</u>

Depreciation expense was charged to governmental functions as follows:

Transportation	\$ 38,950
Regular Instruction	<u>388,352</u>
	<u>\$ 427,302</u>

Capital Outlay was charged to governmental functions as follows:

Regular Instruction	<u>\$ 27,635</u>
	<u>\$ 27,635</u>

NOTE 6 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Type	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due within One Year
Compensated Absences	\$ 139,056	\$ -	\$ 40,334	\$ 98,722	\$ -
Total	<u>\$ 139,056</u>	<u>\$ -</u>	<u>\$ 40,334</u>	<u>\$ 98,722</u>	<u>\$ -</u>

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE 7 FUND BALANCE

The Board of Education has not formally adopted a fund balance policy for the General Fund, however, the Board tries to maintain a year-end target fund balance of 10-20% for cash flow timing needs (working capital) and contingencies.

NOTE 8 CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 9 PENSION PLANS

The Four Winds Elementary School has a 401(K) Plan ("Plan") to provide retirement and incidental benefits for its employees. Employees may make matching contributions from 1% to 16% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The School contributes 16% of employee compensation. All participant contributions vest immediately. Employer contributions vest based on years of vesting service and will be 100% after three (3) years of vesting service.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District 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 District 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.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

NOTE 11 NEW PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units, an Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2016

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the School's financial statements.

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the School's year end. Subsequent events have been evaluated through November 9, 2018, which is the date these financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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**

To the Board of Education
Four Winds Elementary School
Fort Totten, 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 each major fund of Four Winds Elementary School as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise Four Winds Elementary School's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Four Winds Elementary School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 over financial reporting 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Four Winds Elementary School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Responses to the Findings

Four Winds Elementary School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Four Winds Elementary School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

November 9, 2018



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Educators
Four Winds Elementary School
Fort Totten, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Four Winds Elementary School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Four Winds Elementary School's major federal programs for the year ended June 30, 2016. Four Winds Elementary School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Four Winds Elementary School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Four Winds Elementary School's compliance.

Basis for Qualified Opinion on Each Major Program

As described in the accompanying schedule of findings and questioned costs, the Four Winds Elementary School did not comply with requirements regarding: CFDA 15.042 Indian School Equalization as described in finding number 2016-003 for reporting, 2016-004 for reporting, and 2016-005 for special tests and provisions; CFDA 84.010 Title I Grants to Local Education Agencies as described in finding number 2016-004 for reporting; and CFDA 84.027 Special Education Grants to State as described in finding number 2016-003 for reporting, and 2016-004 for reporting. Compliance with such requirements is necessary, in our opinion, for the Four Winds Elementary School to comply with the requirements applicable to that program.

Qualified Opinion on Each Major Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Four Winds Elementary School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal program is not modified with respect to this matter for Indian Child and Family Education CFDA #15.043; Indian Schools – Student Transportation CFDA #15.044; and Administrative Cost Grants for Indian Schools CFDA #15.046, which are all nonmajor federal programs.

The School's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Four Winds Elementary School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Four Winds Elementary School's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Four Winds Elementary School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-004, and 2016-005 that we consider to be material weaknesses.

Four Winds Elementary School's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Four Winds Elementary School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 9, 2018

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>CFDA #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Expenditures</u>
<u>Department of the Interior</u>				
15.042	Indian School Equalization			\$ 3,482,210
15.043	Indian Child and Family Education			261,649
15.044	Indian Schools - Student Transportation			331,730
15.046	Administrative Cost Grants for Indian Schools			337,140
15.151	Education Enhancements			80,180
Total Department of the Interior				<u>4,492,909</u>
<u>Department of Education</u>				
84.010	Title I Grants to Local Educational Agencies	F84010		1,130,905
84.027	Special Education - Grants to States Cluster	F84027A		1,294,743
84.060	Indian Education - Grants to Local Educational Agencies			114,993
84.336	Teacher Quality Partnership Grants			137,800
84.358	Rural Education	PII370		6,040
Total Direct Funding				<u>2,684,481</u>
Passed Through Devils Lake Public School District				
84.287	Twenty-First Century	N/A		92,577
Total Passed Through Devils Lake Public School District				<u>92,577</u>
Total Department of Education				<u>2,777,058</u>
<u>Department of Agriculture</u>				
Passed Through North Dakota Department of Public Instruction				
Child Nutrition Cluster:				
10.553	School Breakfast Program	F10553		195,827
10.555	National School Lunch Program	F10555		324,699
10.555	National School Lunch Program - Noncash Assistance	F10555		26,454
10.559	Summer Food Service Program for Children	F10559		49,142
Total Child Nutrition Cluster				<u>596,122</u>
10.579	Child Nutrition Discretionary Grants Limited Availability			5,185
10.582	Fresh Fruit and Vegetable Program			11,145
Total Department of Agriculture				<u>612,452</u>
TOTAL				<u><u>\$ 7,882,419</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

FOUR WINDS ELEMENTARY SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Four Winds Elementary School under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Four Winds Elementary School, it is not intended to and does not present the financial position or changes in net position of Four Winds Elementary School.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to requirement. Four Winds Elementary School has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

x yes ___ no

Significant deficiency(ies) identified that are not considered to be material weaknesses?

___ yes x none reported

Non-compliance material to financial statements noted?

___ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

x yes ___ no

Significant deficiency(ies) identified that are not considered to be material weaknesses?

___ yes x none reported

Type of auditor’s report issued on compliance for major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

x yes ___ no

Identification of major programs:

CFDA Number(s) Name of Federal Program of Cluster

15.042	Indian School Equalization
84.010	Title I
84.027	Special Education Grants to States Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ yes x no

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Section II-Financial Statement Findings

2016-001 Material Weakness (Repeat Finding)

Criteria

An appropriate system of internal controls requires that the School make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the School's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The School's auditors prepared the financial statements as of June 30, 2016. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a School must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the School's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Cause

The District does not have the resources to prepare full accrual financial statements.

Effect

The School currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Views of Responsible Officials

Due to the high cost of a truly qualified professional staff position and the time involved preparing these statements, it is just not feasible to have such personnel available. Other than the task of doing these statements, this individual position isn't needed and is extremely expensive for a School of our size. The remaining staff understand where the School stands, what is needed and how to calculate the information to answer needed questions to maintain the system.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

2016-002 Material Weakness (Repeat Finding)

Criteria

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the School.

Condition

The School has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger.

Cause

There is only one business manager and due to the District's size, they are unable to hire more staff.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The School should separate the duties as is feasible.

Views of Responsible Officials

As similar to the response in 2016-001, it is the feasibility issue. We are a very small School with limited resources available with employee's wearing many hats throughout the system in order to save needed resources to make ends meet. We try our best but budgets are limited and we would like to expand but limited federal dollars and cutbacks have all but eliminated those thoughts.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Section III-Federal Award Findings

2016-003 Material Weakness (Repeat Finding)

Federal Program

Indian School Equalization (CFDA #15.042); Indian Child and Family Education (CFDA #15.043 - Nonmajor); Indian Schools – Student Transportation (CFDA #15.044 - Nonmajor); Administrative Cost Grants for Indian Schools (CFDA #15.046 - Nonmajor); Special Education Grants to State (CFDA #84.027) - Reporting

Criteria

Quarterly Federal Financial Reports (SF-425) showing the expenditures incurred are required to be filed.

Condition

Quarterly Federal Financial Reports (SF-425) are prepared for all five (5) programs under one (1) report. All quarterly reports filed for the fiscal year were selected for testing. Two of the quarterly reports were materially understated in regards to the amount of Federal expenditures incurred. We also noted these reports were not formally reviewed and approved by an individual outside of the preparation process.

Questioned Costs

Not Applicable

Context

Quarterly Federal Financial Reports (SF-425) are prepared for both programs under one report. All quarterly reports filed for the fiscal year were selected for testing. Both of the quarterly reports were materially understated in regards to the amount of Federal expenditures incurred. Of the two reports filed, none of these were formally reviewed and approved by an individual outside of the preparation process.

Effect

Quarterly Federal Financial Reports (SF-425) are not accurately reporting Federal expenditures incurred during the year.

Cause

The Quarterly Federal Financial Reports (SF-425) filed for the year appear to have been prepared using information that did not agree with the general ledger. These reports are also not formally reviewed and approved by an individual outside of the preparation process.

Recommendation

We recommend the Quarterly Federal Financial Reports (SF-425) be prepared using general ledger information from the School's accounting software. This information used for the report preparation should be maintained in accordance with the School's document retention policy. These reports should also be reviewed for accuracy by someone outside of the preparation process.

Views of Responsible Officials

The filing of Form 425 will be initiated from information received from the general ledger information instead of other sources which may miss items not included on the check register or deposit register or other statements. Upon completion, the 425 will be reviewed by the Superintendent for completion and accuracy.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

2016-004 Material Weakness (Repeat Finding)

Federal Program

All Federal Programs - Reporting

Criteria

Audited financial statements are required to be filed within nine (9) months of year end.

Condition

Audited financial statements were not filed with the Federal Audit Clearinghouse within nine (9) months of fiscal year end.

Questioned Costs

Not applicable

Context

The audited financial statements have not been filed with the Federal Audit Clearinghouse for the past few years.

Effect

Non-compliance with the reporting requirements.

Cause

The School did not have their audit performed on a timely basis.

Recommendation

We recommend the School to have their financial statements audited and submitted to the Federal Audit Clearinghouse within nine (9) months of fiscal year end.

Views of Responsible Officials

An audit firm is hired with the capabilities to complete the audit in an accurate and timely manner in order to meet the time frame allowed. The business manager will work closely with auditors also to ensure that this is taking place and keep the Superintendent and School Board informed on the progress.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

2016-005 Material Weakness (Repeat Finding)

Federal Program

Indian School Equalization (CFDA #15.042) – Special Tests and Provisions

Criteria

The Indian Child Protection and Family Violence Prevention Act (25 USC 3201 et seq.) requires Indian tribes and tribal organizations that receive funds under the ISDEAA or the Tribally Controlled Schools Act to conduct an investigation of the character of each individual who is employed or is being considered for employment by such Indian tribe or tribal organization in a position that involves regular contact with, or control over, Indian children. The Act further states that the Indian tribe or tribal organization may employ individuals in those positions only if the individuals meet standards of character, no less stringent than those prescribed under subpart B – Minimum Standards of Character and Suitability for Employment (25 CFR part 63), as the Indian tribe or tribal organization establishes.

Condition

Employees working for this program had character investigations on file at time of employment that included unfavorable results, as identified by the School's investigation provider.

Questioned Costs

Not applicable

Context

We obtained a listing of employees working within the program and performed our test on a sample of ten (10) employees. Of these employees, there were four (4) employees working for this program that had character investigations on file at time of employment that included unfavorable results, as identified by the School's investigation provider.

Effect

Non-compliance with the special test and provisions "Character Investigations by Indian Tribes and Tribal Organizations" compliance requirements.

Cause

The school is required to conduct character investigations of each individual employed or is in a position that involves regular contact with, or control over, Indian children. The School meets this requirement with the performance of background checks done on their behalf by the North Dakota Department of Public Instruction. It appears character investigations are performed after an employee is hired, rather than prior to employment.

Recommendation

The School should be performing character investigations prior to the hiring of any employees. These investigations should be thoroughly reviewed prior to employment.

Views of Responsible Officials

We had a couple of background checks with unfavorable events. After resubmitting the background checks again, the events that were noted in the 2016 reports were events that would not have disqualified them from employment in their positions.

FOUR WINDS ELEMENTARY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-001

Criteria

An appropriate system of internal controls requires that the School make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the School's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The School's auditors prepared the financial statements as of June 30, 2015. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a School must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the School's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Effect

The School currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response

A response is not considered necessary.

Corrective Action Taken

None. See current year finding 2016-001.

FOUR WINDS ELEMENTARY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

2015-002

Condition

The Four Winds Elementary School has a comptroller responsible for most accounting functions.

Criteria

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the School.

Effect

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

Recommendation

Due to the size of the School, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Management's Response

A response is not considered necessary.

Corrective Action Taken

None. See current year finding 2016-002.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

2015-003 Material Weakness

Federal Program

Indian School Equalization (CFDA #15.042); Indian Child and Family Education (CFDA #15.043); Indian Schools – Student Transportation (CFDA #15.044); Administrative Cost Grants for Indian Schools (CFDA #15.046); Special Education Grants to State (CFDA #84.027) - Reporting

Criteria

Quarterly Federal Financial Reports (SF-425) showing the expenditures incurred are required to be filed.

Condition

Quarterly Federal Financial Reports (SF-425) are prepared for all five (5) programs under one (1) report. All quarterly reports filed for the fiscal year were selected for testing. Two of the quarterly reports were materially understated in regards to the amount of Federal expenditures incurred. We also noted these reports were not formally reviewed and approved by an individual outside of the preparation process.

Questioned Costs

Not Applicable

Context

Quarterly Federal Financial Reports (SF-425) are prepared for all five (5) programs under one (1) report. All quarterly reports filed for the fiscal year were selected for testing. Two of the quarterly reports were materially understated in regards to the amount of Federal expenditures incurred. Of the four reports filed, none of these were formally reviewed and approved by an individual outside of the preparation process.

Effect

Quarterly Federal Financial Reports (SF-425) are not accurately reporting Federal expenditures incurred during the year.

Cause

The Quarterly Federal Financial Reports (SF-425) filed for the year appear to have been prepared using information that did not agree with the general ledger. These reports are also not formally reviewed and approved by an individual outside of the preparation process.

Recommendation

We recommend the Quarterly Federal Financial Reports (SF-425) be prepared using general ledger information from the School's accounting software. This information used for the report preparation should be maintained in accordance with the School's document retention policy. These reports should also be reviewed for accuracy by someone outside of the preparation process.

Views of Responsible Officials

The filing of Form 425 will be initiated from information received from the general ledger information instead of other sources which may miss items not included on the check register or deposit register or other statements. Upon completion, the 425 will be reviewed by the Superintendent for completion and accuracy.

Corrective Action Taken

None. See current year finding 2016-003.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

2015-004 Material Weakness

Federal Program

All Federal Programs - Reporting

Criteria

Audited financial statements are required to be filed within nine (9) months of year end.

Condition

Audit financial statements were not filed with the Federal Audit Clearinghouse within nine (9) months of fiscal year end.

Questioned Cost

Not applicable

Context

The audited financial statements have not been filed with the Federal Audit Clearinghouse for the past few years.

Effect

Non-compliance with the reporting requirements.

Cause

The School did not have their audit performed on a timely basis.

Recommendation

We recommend the School to have their financial statements audited and submitted to the Federal Audit Clearinghouse within nine (9) months of fiscal year end.

Views of Responsible Officials

An audit firm is hired with the capabilities to complete the audit in an accurate and timely manner in order to meet the time frame allowed. The business manager will work closely with auditors also to ensure that this is taking place and keep the Superintendent and School Board informed on the progress.

Corrective Action Taken

None. See current year finding 2016-004.

FOUR WINDS ELEMENTARY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

2015-005 Material Weakness

Federal Program

Indian School Equalization (CFDA #15.042) – Special Tests and Provisions

Criteria

The Indian Child Protection and Family Violence Prevention Act (25 USC 3201 et seq.) requires Indian tribes and tribal organizations that receive funds under the ISDEAA or the Tribally Controlled Schools Act to conduct an investigation of the character of each individual who is employed or is being considered for employment by such Indian tribe or tribal organization in a position that involves regular contact with, or control over, Indian children. The Act further states that the Indian tribe or tribal organization may employ individuals in those positions only if the individuals meet standards of character, no less stringent than those prescribed under subpart B – Minimum Standards of Character and Suitability for Employment (25 CFR part 63), as the Indian tribe or tribal organization establishes.

Condition

Employees working for this program had character investigations on file at time of employment that included unfavorable results, as identified by the School's investigation provider.

Questioned Cost

Not applicable

Context

We obtained a listing of employees working within the program and performed our test on a sample of ten (10) employees. Of these employees, there were four (4) employees working for this program that had character investigations on file at time of employment that included unfavorable results, as identified by the School's investigation provider.

Effect

Non-compliance with the special test and provisions "Character Investigations by Indian Tribes and Tribal Organizations" compliance requirements.

Cause

The school is required to conduct character investigations of each individual employed or is in a position that involves regular contact with, or control over, Indian children. The School meets this requirement with the performance of background checks done on their behalf by the North Dakota Department of Public Instruction. It appears character investigations are performed after an employee is hired, rather than prior to employment.

Recommendation

The School should be performing character investigations prior to the hiring of any employees. These investigations should be thoroughly reviewed prior to employment.

Views of Responsible Officials

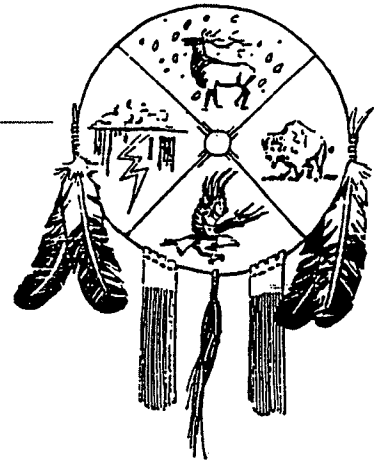
We had a couple of background checks with unfavorable events. After resubmitting the background checks again, the events that were noted in the 2015 reports were events that would not have disqualified them from employment in their positions.

Corrective Action Taken

None. See current year finding 2016-005.

Tate Topa Tribal School

7268 Highway 57 • Box 199 • Fort Totten, ND 58335 • 701-766-1400



CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

2016-001

Contact Person
Superintendent

Planned Corrective Action
The School will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2016-002

Contact Person
Superintendent

Planned Corrective Action
The School will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2016-003

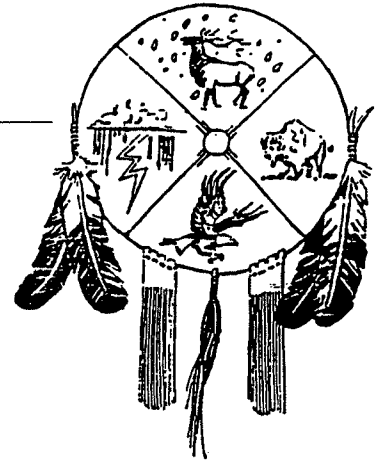
Contact Person
Business Manager

Planned Corrective Action
The Superintendent will review and approve the report that will be completed off of the general ledger before submission.

Planned Completion Date
Immediately

Tate Topa Tribal School

7268 Highway 57 • Box 199 • Fort Totten, ND 58335 • 701-766-1400



CORRECTIVE ACTION PLAN - CONTINUED FOR THE YEAR ENDED JUNE 30, 2016

2016-004

Contact Person
Superintendent

Planned Corrective Action

The School will ensure an audit firm is hired in time to submit a timely audit.

Planned Completion Date

June 30, 2018 audit

2016-005

Contact Person
Superintendent

Planned Corrective Action

The School will get the background checks done during the interview/application phase. We will hold off bringing them on as employees until after we get the background checks completed and back to the School. We will also use the reference list from the Office of the Attorney General to find the codes we need for the background checks so that the search doesn't encompass all offenses listed on the Bureau of Criminal Investigation reference list. Since our School is considered a private School, the North Dakota Century Code does not allow us to get the information from the searches of the State and FBI. We can only get a statement as to if the individual has disqualifying events or not. So, if we get back a report from the DPI with disqualifying events we will have the person call and get the reports and give them to us. That way we can check what disqualifying events (adjudicate) they have and determine if the events would disqualify them from working with Indian children.

Planned Completion Date

Immediately

**FOUR WINDS ELEMENTARY SCHOOL
FORT TOTTEN, NORTH DAKOTA**

MANAGEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

AUDIT COMMITTEE LETTER



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

November 9, 2018

To the Board of Education
Four Winds Elementary School

We have audited the financial statements of the governmental activities and each major fund of Four Winds Elementary School for the year ended June 30, 2016 and have issued our report thereon dated November 9, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 6, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Four Winds Elementary School are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016, except for the disclosure requirements for investments required under GASB Statement No. 72, *Fair Value Measurements and Application*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Four Winds Elementary School's financial statements was:

Management's estimate of the allowance for depreciation is based on historical useful lives of capital assets. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The material misstatements attached in schedule I detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America. The method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the roster of school officials, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Board of Education and management of Four Winds Elementary School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 9, 2018

MANAGEMENT LETTER



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

To the Board of Education
Four Winds Elementary School

In planning and performing our audit of the financial statements of Four Winds Elementary School (School) for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the School's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control.

Accordingly, we do not express an opinion on the effectiveness of the School's internal control. However, during our audit we became aware of deficiencies in internal control other than material weaknesses and significant deficiencies that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the School's internal control in our letter dated November 9, 2018. This letter does not affect our report dated November 9, 2018, on the financial statements of Four Winds Elementary School.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel of the School, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Education and management and should not be used for any other purpose.

We did not audit the School's responses included in this letter, and accordingly, express no opinion on them.

We wish to take this opportunity to thank the Board of Education and management for the opportunity to provide these services and to extend our thanks to your personnel for their cooperation and assistance during our engagement.

If you have any questions in regard to our audit, please do not hesitate to contact us.

A handwritten signature in black ink that reads "Brady Martz".

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 9, 2018

Four Winds Elementary School
Management Letter Memorandum
For the Year Ended June 30, 2016

1. Observation

It was noted that several grant programs with different CFDA's were grouped together for revenue and expenditure reporting in the trial balance.

Recommendation

We would recommend segregating these revenues and expenditures into separate accounts to properly track program expenditures by grant.

2. Observation

We noted that the client records all non-federal and non-interest income into an Unrestricted Income - General account. The only detail they have for this income is the bank statements, showing the deposits. This income arrives in the form of checks that are deposited into the general fund account.

Recommendation

We recommend the client prepare documentation for each receipt of funds received. We would also suggest that the donation revenue be segregated from miscellaneous receipts.

3. Observation

We noted that the School sells meals to adults working in the School. These meals are redeemed via a meal punch card that is purchased by employees. These punch cards were not pre-numbered, nor does the School have a method of tracking the sales of these cards.

Recommendation

We recommend that the School implement the use of pre-numbered meal punch cards, and track the sales of these cards to employees in order to properly reconcile this revenue account at year end.

4. Observation

We noted the depreciation schedule prepared on behalf of the School lumped all equipment purchases into one generic line item "Equipment". This appears to be the sum of all capital expense accounts for the year. This makes it difficult for the School to dispose of assets on their depreciation schedule as disposition occurs. Also noted the detail for this generic line item includes assets purchased under \$5,000, or the School's capitalization policy. Finally, we noted there were several expenditures that were incurred for various school and office supplies that were set up for depreciation.

Recommendation

We recommend the School segregate asset purchases and list these individually on the depreciation schedule, not including supplies purchases, and only recording on the depreciation schedule assets purchased over \$5,000.

5. Observation

It was noted that not all checks are being approved by the Board.

Recommendation

We recommend that the Board approve all checks.

6. Observation

During testing of federal financial reports, it was noted these reports are prepared by the business manager and no formal review occurs prior to submission of these reports by anyone outside of the preparation process.

Recommendation

We recommend for the superintendent to formally approve/sign these reports prior to submission.

7. Observation

During transaction testing for single audits, it was noted Special Education Grants to States CFDA #84.027 had one employee with an I-9 not properly filled out; Indian School Equalization Program CFDA #15.042 had two employees with an I-9 not properly filled out.

Recommendation

We recommend for the District to make sure all paperwork is properly filled out before the employee begins work.

8. Observation

During testing of payroll tax expenses, we were unable to tie payroll taxes from the trial balance to the payroll tax reports. Per discussion with the business manager, this may be due to miscoding of payroll taxes into other fringe accounts.

Recommendation

We recommend for the District to make sure payroll taxes are being coded to the correct GL accounts.

CASH MANAGEMENT

As of June 30, 2016, cash balances in the various funds of the District totaled \$11,233, an increase of \$9,967 over 2015 balances. Cash by fund at June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
General	\$ 11,233	\$ 1,266

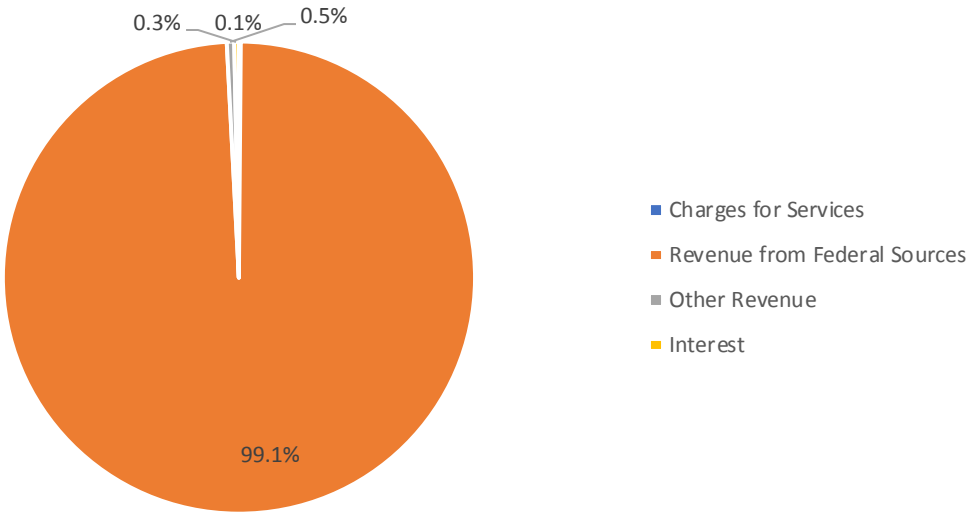
Total interest earned during FYE June 30, 2016 was \$24,841.

FUND BALANCES

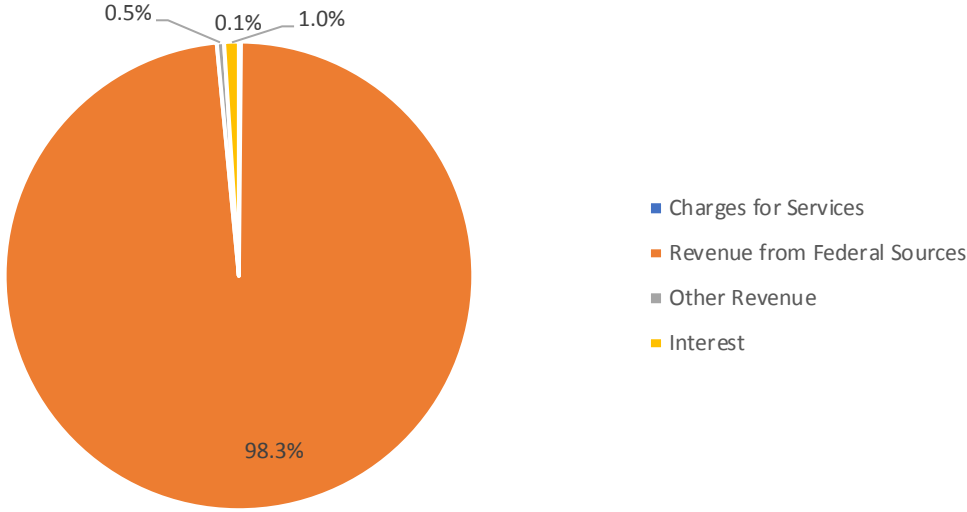
	<u>2016</u>	<u>2015</u>
General	\$ 344,582	\$ 781,209

GRAPHS

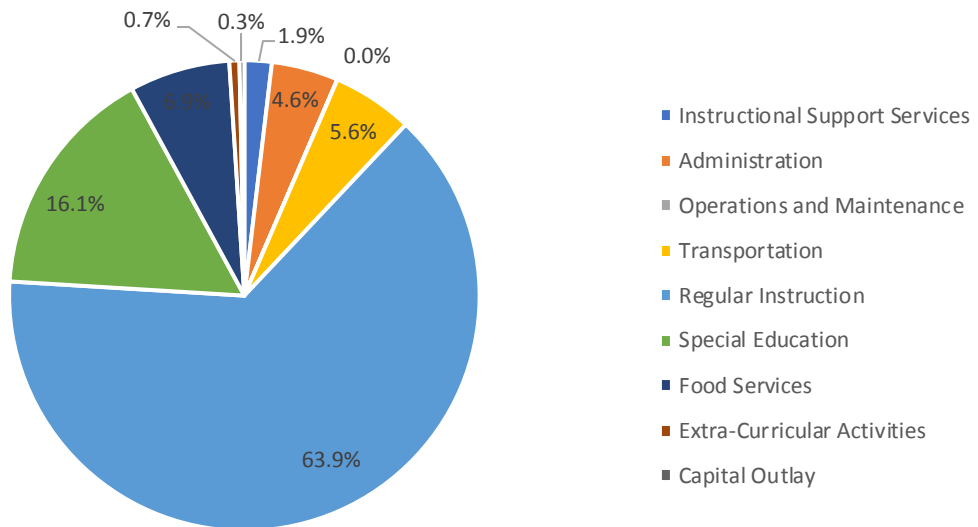
Four Winds Elementary School 2016 Sources of General Fund Revenues



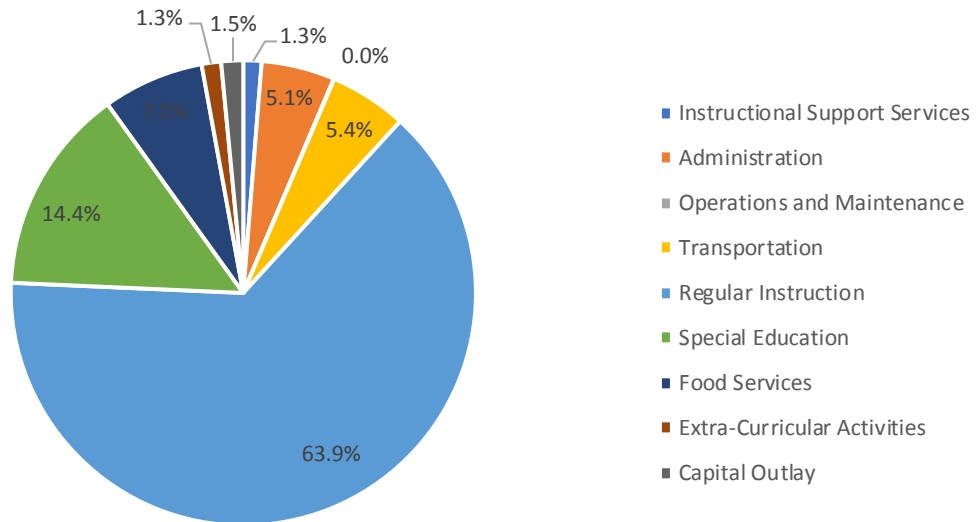
Four Winds Elementary School 2015 Sources of General Fund Revenues



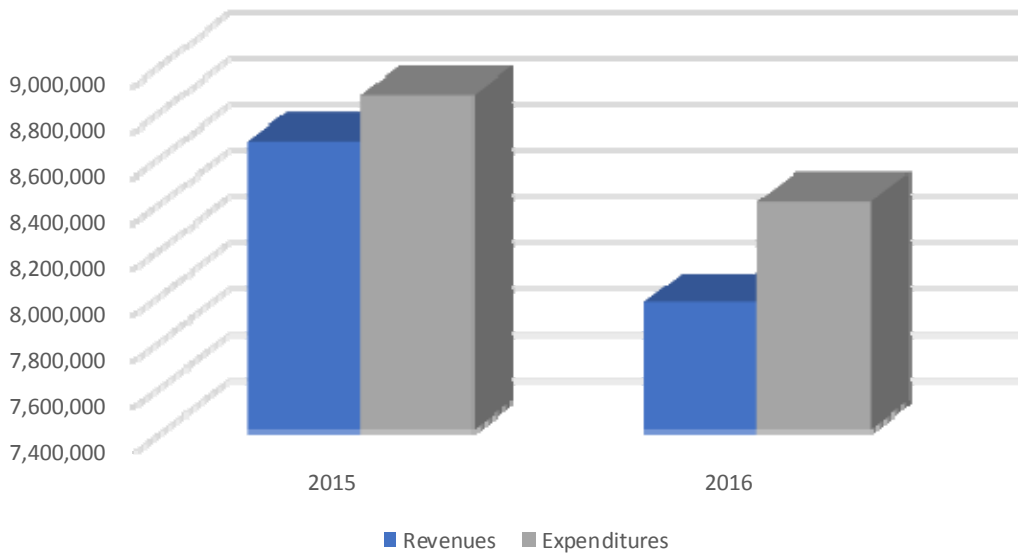
Four Winds Elementary School 2016 Uses of General Fund Expenditures



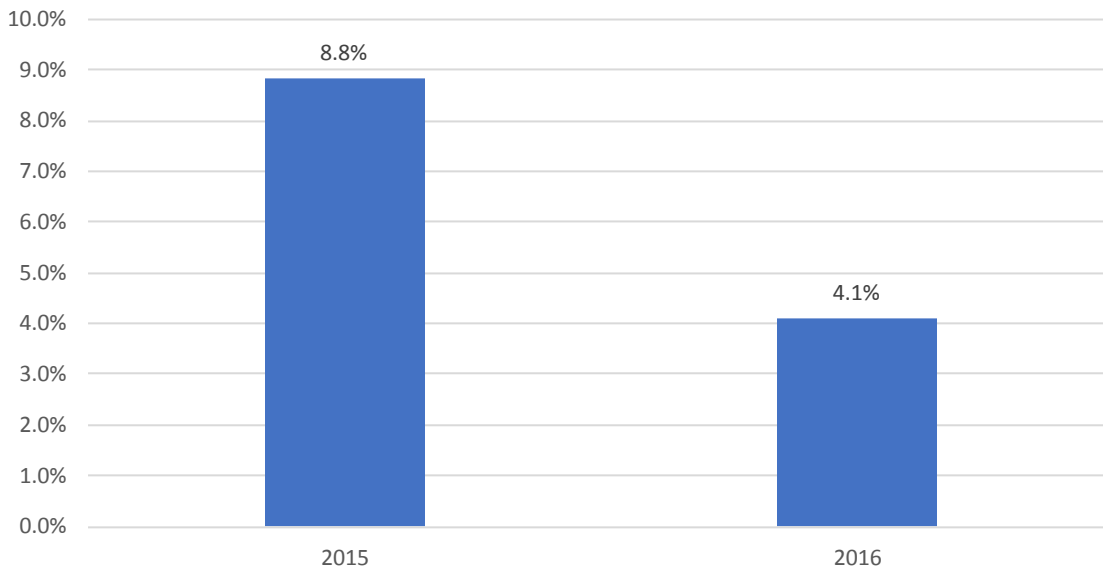
Four Winds Elementary School 2015 Uses of General Fund Expenditures



Four Winds Elementary School General Fund Revenues and Expenditures



Four Winds Elementary School General Fund Balance as a Percentage of Expenditures



Schedule I

11/29/2018
1:18 PM

Client: **18111 - Four Winds Elementary School**
 Engagement: **18111 - Four Winds Elementary School**
 Period Ending: **6/30/2016**
 Trial Balance: **GFTB**
 Workpaper: **2200.00 - Adjusting Journal Entries**
 Fund Level: **All**
 Index: **All**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
		5102.00		
To remove BCBS from AP, viewed in search, discovered not payable. 12 months recorded already in FY16				
1-000-2010-000	Accounts Payable - BIA (		28,341.28	
1-500-7600-000	Insurance Expense-Lump Sum			28,341.28
Total			28,341.28	28,341.28
Adjusting Journal Entries JE # 2				
		4225.00, 4230.00		
To adjust Federal Revenue and Deferred Revenue to actual				
1-000-2600-010	deferred revenue sp ed (		2,809.32	
1-100-4000-000	Revenues-BIA Instructional (		318,437.01	
1-100-5000-000	Other Revenues Instructional		11,457.63	
1-150-4000-000	Revenue Face		27,751.72	
1-500-4000-000	Revenues - BIA Lump Sum		28,340.17	
2-000-2600-000	Deferred Revenue - Chapter 1 (		1,199.00	
1-000-2600-000	Deferred revenue-BIA Master (			339,466.01
1-000-2600-005	Deferred Revenue - Lump Sum			28,340.17
1-200-4000-000	Revenues - BIA Special Ed			9,532.32
2-600-4000-000	Revenues-Current Year-Chapter 1			1,199.00
3-950-5000-000	Other Revenues- 21 st Century (			11,457.35
Total			389,994.85	389,994.85
Adjusting Journal Entries JE # 3				
		4260.00		
To reverse and record client entry booked. This was for accounts payable that was mistakenly recorded as an accounts receivable.				
1-200-6100-001	Salaries-Special Ed-Teachers		32,274.45	
1-200-6100-001	Salaries-Special Ed-Teachers		32,274.45	
1-200-6200-000	P/R Taxes-Special Ed		1,711.88	
1-200-6200-000	P/R Taxes-Special Ed		1,711.88	
1-750-6100-000	Salaries-Bilingual (		13,526.64	
1-750-6100-000	Salaries-Bilingual (		13,526.64	
1-750-6200-000	PR Taxes-Bilingual (		1,034.79	
1-750-6200-000	PR Taxes-Bilingual (		1,034.79	
1-000-1111-000	accounts receivable High School Disl. #30			48,547.76
1-000-2010-000	Accounts Payable - BIA (			48,547.76
Total			97,095.52	97,095.52
Total Adjusting Journal Entries			515,431.65	515,431.65
Total All Journal Entries			515,431.65	515,431.65