

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
DUNSEITH, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2017

Roger Counts	President
Clarence Counts	Vice President
Mary Medrud	Board Member
Chris Strong	Board Member
Francis Amyotte	Board Member
Verena Gillis	Board Member
Brian Azure	Board Member
Pat Brenden	Superintendent
Alva Gladue	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dunseith Public School District No. 1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, each major fund, and the aggregate remaining fund information of Dunseith Public School District No. 1 as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Adjustment

As described in Note 13 to the financial statements, prior period adjustments were made to cash, receivables, liabilities, net position and fund balances to correct ending balances in the prior year. As discussed in Note 13 to the financial statements, the District has restated the previously reported Net Position and fund balances. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of District's contributions to the TFFR and NDPERS pension plans, and schedule of District's proportionate share of net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis 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 District'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 related 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 August 14, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

August 14, 2020

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 252,400
Property Taxes Receivable (Net)	58,081
Due From Other Governments	444,678
Total Current Assets	<u>755,159</u>
Non-Current Assets:	
Capital Assets	
Buildings	8,276,415
Equipment	408,083
Vehicles	1,093,178
Less Accumulated Depreciation	(4,914,058)
Total Non-Current Assets	<u>4,863,618</u>
TOTAL ASSETS	<u>5,618,777</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,855,638
Cost Sharing Defined Benefit Pension Plan - NDPERS	446,066
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,301,704</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	32,261
Accrued Liabilities	57,176
Interest Payable	7,026
Notes Payable Within a Year	74,560
Total Current Liabilities	<u>171,023</u>
Long-Term Liabilities:	
Notes Payable (Net of Current Portion)	915,000
Compensated Absences	308,989
Net Pension Liability	7,823,041
Total Non-Current Liabilities	<u>9,047,030</u>
TOTAL LIABILITIES	<u>9,218,053</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	31,174
Cost Sharing Defined Benefit Pension Plan - NDPERS	79,677
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>110,851</u>
NET POSITION	
Net Investment in Capital Assets	3,874,058
Restricted for Special Reserve	48,796
Restricted for Capital Projects	7,225
Unrestricted	<u>(5,338,502)</u>
TOTAL NET POSITION	<u>\$ (1,408,423)</u>

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 161,725	\$ -	\$ -	\$ (161,725)
Instructional Support Services	242,267	-	-	(242,267)
Administration	859,274	-	-	(859,274)
Operations and Maintenance	768,325	-	-	(768,325)
Transportation	233,824	-	193,437	(40,387)
Regular Instruction	6,322,674	32,000	3,390,698	(2,899,976)
Special Education	481,377	-	11,161	(470,216)
Vocational Education	134,044	-	35,445	(98,599)
Extra-Curricular Activities	363,420	-	-	(363,420)
Food Services	582,065	2,499	307,657	(271,909)
Interest and Fees on Long-Term Debt	17,005	-	-	(17,005)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,166,000	\$ 34,499	\$ 3,938,398	(6,193,103)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				249,808
Property Taxes, Levied for Capital Projects				28,162
Aids and Payments from the State				5,951,850
Unrestricted Investment Earnings				956
TOTAL GENERAL REVENUES				6,230,776
Change in Net Position				37,673
Net Position - Beginning As Originally Reported				(882,161)
Prior Period Adjustment - See Note 13				(563,935)
Net Position - Beginning As Restated				(1,446,096)
Net Position - Ending				\$ (1,408,423)

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 171,554	\$ -	\$ 47,196	\$ 33,650	\$ 252,400
Property Taxes Receivable (Net)	51,155	-	1,600	5,326	58,081
Due From Other Governments	444,678	-	-	-	444,678
TOTAL ASSETS	\$ 667,387	\$ -	\$ 48,796	\$ 38,976	\$ 755,159
LIABILITIES					
Accounts Payable	\$ 510	\$ -	\$ -	\$ 31,751	\$ 32,261
Accrued Liabilities	57,176	-	-	-	57,176
TOTAL LIABILITIES	57,686	-	-	31,751	89,437
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Uncollected Taxes	37,791	-	1,431	4,763	43,985
TOTAL DEFERRED INFLOWS OF RESOURCES	37,791	-	1,431	4,763	43,985
FUND BALANCES					
Restricted for Food Service	-	-	-	-	-
Restricted for Special Reserve	-	-	47,365	-	47,365
Restricted for Capital Projects	-	-	-	2,462	2,462
Unassigned	571,910	-	-	-	571,910
TOTAL FUND BALANCES	571,910	-	47,365	2,462	621,737
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 667,387	\$ -	\$ 48,796	\$ 38,976	\$ 755,159

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds		\$ 621,737
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 assets in government funds:		
Cost of capital assets	\$ 9,777,676	
Less: accumulated depreciation	<u>(4,914,058)</u>	
Net		4,863,618
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
		2,190,853
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		43,985
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Notes Payable		(989,560)
Compensated Absences		(308,989)
Net Pension Liability		(7,823,041)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		<u>(7,026)</u>
Net Position - Governmental Activities		<u><u>\$ (1,408,423)</u></u>

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total Governmental Funds
REVENUES					
Local Property Tax Levies	\$ 255,690	\$ -	\$ 7,028	\$ 23,399	\$ 286,117
Other Local and County Revenues	32,000	2,499	-	-	34,499
Revenue from State Sources	6,156,448	2,114	-	-	6,158,562
Revenue from Federal Sources	3,426,143	305,543	-	-	3,731,686
Interest	956	-	-	-	956
TOTAL REVENUES	9,871,237	310,156	7,028	23,399	10,211,820
EXPENDITURES					
Current:					
Business Support Services	161,725	-	-	-	161,725
Instructional Support Services	242,267	-	-	-	242,267
Administration	859,274	-	-	-	859,274
Operations and Maintenance	739,073	-	-	29,252	768,325
Transportation	185,918	-	-	-	185,918
Regular Instruction	5,772,984	-	-	-	5,772,984
Special Education	481,377	-	-	-	481,377
Vocational Education	134,044	-	-	-	134,044
Extra-Curricular Activities	356,155	-	-	-	356,155
Food Services	-	582,065	-	-	582,065
Capital Outlay	289,002	-	-	-	289,002
Debt Service:					
Principal Retirement	71,810	-	-	-	71,810
Interest and Fiscal Charges on Long-Term Debt	16,785	-	-	-	16,785
TOTAL EXPENDITURES	9,310,414	582,065	-	29,252	9,921,731
Excess (Deficiency) of Revenues over Expenditures	560,823	(271,909)	7,028	(5,853)	290,089
OTHER FINANCING SOURCES					
Issuance of Long-Term Debt	24,560	-	-	-	24,560
Transfers Out	(285,056)	-	(487)	-	(285,543)
Transfers In	-	271,909	-	13,634	285,543
TOTAL OTHER FINANCING SOURCES (USES)	(260,496)	271,909	(487)	13,634	24,560
Net Change in Fund Balances	300,327	-	6,541	7,781	314,649
Fund Balance - Beginning of Year, as Originally Reported	477,154	-	40,824	46,442	564,420
Prior Period Adjustments - See Note 13	(205,571)	-	-	(51,761)	(257,332)
Fund Balance - Beginning of Year, as Restated	271,583	-	40,824	(5,319)	307,088
Fund Balance - End of Year	\$ 571,910	\$ -	\$ 47,365	\$ 2,462	\$ 621,737

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
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, 2017

Total net change in fund balances - Governmental Funds \$ 314,649

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	\$	289,002
Depreciation Expense		<u>(245,473)</u>

Excess of capital outlay over depreciation expense 43,529

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:

Net change in unavailable property taxes	(8,147)
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. 71,810

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	(44,197)
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Issuance of long-term debt is a long-term liability in the statement of net position. They are netted against repayments of long-term debt which reduce long-term liabilities in the statement of net position. (24,560)

Changes in deferred outflows and inflows of resources related to net pension liability 1,173,163

Change in net pension liability (1,488,354)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (219)

Change in net position - Governmental Activities \$ 37,673

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
JUNE 30, 2017

ASSETS	
Cash and Cash Equivalents	<u>\$ 29,435</u>
TOTAL ASSETS	<u><u>\$ 29,435</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 29,435</u>
TOTAL LIABILITIES	<u><u>\$ 29,435</u></u>

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Dunseith Public School District operates the public schools in the City of Dunseith, North Dakota. There is one elementary school and one junior/senior high school.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization. The school district has the following component unit as defined in GASB Statement No. 61 which should be included in the reporting entity.

Dunseith Public School Building Authority – The Building Authority was created by the school board as a legally separate entity. Its purpose is to promote the educational system of the district by providing financing for use by the school in altering, repairing, maintaining or constructing buildings and making improvements connected to school buildings. The school board is the governing board of the building authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District'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 District's significant accounting policies are described below.

Basis of Presentation

The District'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 District as a whole.

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

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. 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 and 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 District.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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 District 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 District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's 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 and liabilities. The District's major governmental funds are as follows:

General Fund:

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

Food Service Fund:

This fund is used to record financial transactions related to food service operations. This fund is financed by user charges and grants.

Special Reserve Fund:

A fund established to hold reserve funds.

Building Fund:

The Building Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities. The special assessment fund is included in this category.

The District does not have any non-major governmental funds.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Fiduciary Funds:

The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

Student Activity Fund:

The fund accounts for the financial transactions related to the District's student activity programs.

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 inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by 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.

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 District'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 District'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 District 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.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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 District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District'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 Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

The General fund expenditures were \$13,337 over budget at June 30, 2017.

Cash and Cash Equivalents:

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Investments:

Investments are recorded at market value. North Dakota State Statute authorizes school districts 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.

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 District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at acquisition value at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and Improvements	50 Years
Equipment	10 Years
Vehicles	10 Years

Compensated Absences:

Ancillary or certified staff who are 12-month employees are eligible for vacation leave. There is no maximum amount an individual can accumulate. Upon termination, all accumulative hours will be paid based on the individual's hourly rate. Ancillary staff receive \$125 a day for sick leave for any days not used after 60 days have been accumulated.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Certified staff and teachers receive \$14.30 per hour for sick leave for any of the days not used after they have accumulated 50 days. Upon termination, all accumulative days will be paid. Personal leave is on a “use it or lose it basis” and no personal leave is allowed to be carried over into the next year. Ancillary staff receive \$125 day for personal leave not used at the end of the school year. Certified staff and teachers receive \$14.30 for personal leave not used at the end of the school year.

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District’s government-wide financial statements. The District’s governmental fund financials report only those obligations that will be paid from current financial resources. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

Pensions:

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

Fund Balance Classifications:

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

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

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

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

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The school board has not granted any official the right to assign amounts to a specific purpose.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

Fund Balance Policy:

The school district's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First nonspendable amounts are determined. Then restricted balances for specific purposes are determined. Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balances if the fund is in a deficit.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS and TFFR pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans.

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 District's financial statements.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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.

Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

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.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2017.

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

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Significant Group Concentrations of Credit Risk:

As of June 30, 2017, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

In accordance with North Dakota laws, the District 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 District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2017, the carrying amount of the District's deposits was \$281,835 and the bank balance was \$402,276. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

In accordance with its formal investment policy, the District invests its operating funds primarily in short term certificates of deposit and limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The District places no limit on the amount the District 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.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in general fixed assets account group during the year:

	Balance 7/1/2016	Additions	Disposals	Balance 6/30/2017
Governmental Activities:				
Capital Assets Being Depreciated				
Buildings	\$ 8,099,109	\$ 177,306	\$ -	\$ 8,276,415
Equipment	383,894	24,189	-	408,083
Vehicles	1,005,671	87,507	-	1,093,178
Total	<u>9,488,674</u>	<u>289,002</u>	<u>-</u>	<u>9,777,676</u>
Less Accumulated Depreciation				
Buildings	3,734,428	162,106	-	3,896,534
Equipment	172,276	35,461	-	207,737
Vehicles	761,881	47,906	-	809,787
Total	<u>4,668,585</u>	<u>245,473</u>	<u>-</u>	<u>4,914,058</u>
Net Capital Assets Being Depreciated	<u>4,820,089</u>	<u>43,529</u>	<u>-</u>	<u>4,863,618</u>
Net Capital Assets for Governmental Activities	<u>\$ 4,820,089</u>	<u>\$ 43,529</u>	<u>\$ -</u>	<u>\$ 4,863,618</u>

In the governmental activities section of the statement of activities, depreciation expense was charged to the following governmental functions:

	Additions	Depreciation
Elementary and Secondary Regular Instruction	\$ 165,101	\$ 190,302
Extra Curricular	36,394	7,265
Transportation	87,507	47,906
Total	<u>\$ 289,002</u>	<u>\$ 245,473</u>

NOTE 5 LONG-TERM DEBT

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

Summary of Long-Term Debt

	Restated Balance 7/1/2016	Additions	Retirements	Balance 6/30/2017	Due in One Year
Series 2012 Bonds	\$ 1,015,000	\$ -	\$ (50,000)	\$ 965,000	\$ 50,000
Starian Truck Loan - 2017	-	24,560		24,560	24,560
Starian Truck Loan - 2016	21,810	-	(21,810)	-	-
Compensated Absences	264,792	44,197	-	308,989	-
Net Pension Liability	<u>6,334,687</u>	<u>2,528,667</u>	<u>(1,040,313)</u>	<u>7,823,041</u>	<u>-</u>
Total	<u>\$ 7,636,289</u>	<u>\$ 2,597,424</u>	<u>\$ (1,112,123)</u>	<u>\$ 9,121,590</u>	<u>\$ 74,560</u>

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Interest expense was \$17,005 for the year ended June 30, 2017.

Compensated absences, notes payable and net pension liabilities are generally liquidated by the District's general fund.

IMPACT AID CERTIFICATES OF INDEBTEDNESS, SERIES 2012

\$1,145,000 Impact Aid Certificates of Indebtedness, Series 2012 are due in annual installments of \$30,000 to \$75,000 plus interest through August 1, 2032; interest is .75% to 2.25%.

Annual debt service requirements to maturity for the note are as follows:

Impact Aid Certificate of Indebtedness, Series 2012			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,000	\$ 15,775	\$ 65,775
2019	50,000	15,338	65,338
2020	50,000	14,838	64,838
2021	55,000	14,313	69,313
2022	55,000	13,763	68,763
2023-2027	290,000	56,639	346,639
2028-2032	340,000	27,139	367,139
2033	75,000	844	75,844
Total	<u>\$ 965,000</u>	<u>\$ 158,649</u>	<u>\$ 1,123,649</u>

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

At June 30, 2017, a summary of the governmental fund balance classifications are as follows:

	Special			Total
	General	Reserve	Building	
Restricted for:	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Special Reserve	\$ -	\$ 47,365	\$ -	\$ 47,365
Capital Projects	-	-	2,462	2,462
Unassigned	571,910	-	-	571,910
	<u>\$ 571,910</u>	<u>\$ 47,365</u>	<u>\$ 2,462</u>	<u>\$ 621,737</u>

Restricted fund balances reflect resources restricted for statutorily defined purposes.

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Costs

At June 30, 2017, the District reported a liability of \$6,584,094 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016, the Employer's proportion was 0.449408 percent which was an increase of 0.028485 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of \$668,100. At June 30, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 31,096	\$ 31,174
Changes in actuarial assumptions	549,962	-
Difference between projected and actual investment earnings	547,317	-
Changes in proportion	319,173	-
Contributions paid to TFFR subsequent to the measurement date	408,090	-
Total	<u>\$ 1,855,638</u>	<u>\$ 31,174</u>

\$408,090 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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

Year ending June 30:	Pension Expense Amount
2018	\$ 257,446
2019	257,446
2020	391,184
2021	307,450
2022	160,550
Thereafter	42,298

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	7.30%
Global Fixed Income	23.00%	0.88%
Global Real Assets	18.00%	5.32%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
School's proportionate share of the TFFR net pension liability:	\$ 8,540,064	\$ 6,584,094	\$ 4,954,955

Pension Plan Fiduciary Net Position

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

North Dakota Public Employees' Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At June 30, 2017, the District reported a liability of \$1,238,947 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the District's proportion was 0.127124 percent which was an increase of 0.006464 from its proportion measured July 1, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$167,535. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 18,612	\$ 11,472
Changes in actuarial assumptions	114,215	61,551
Difference between projected and actual investment earnings	172,851	-
Changes in proportion	25,779	6,654
Contributions paid to NDPERS subsequent to the measurement date	114,609	-
Total	<u>\$ 446,066</u>	<u>\$ 79,677</u>

\$114,609 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2018	\$ 45,023
2019	45,023
2020	82,730
2021	54,245
2022	24,759

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	4.5% per annum
Investment rate of return	8.00%, net of investment of expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.52%
International Fixed Inc.	5.00%	0.45%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	7.00%	8.00%	9.00%
School's proportionate share of the NDPERS net pension liability:	\$ 1,757,423	\$ 1,238,947	\$ 802,105

Pension Plan Fiduciary Net Position

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 8 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.

NOTE 9 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2017 was \$16,957.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 11 COMMITMENTS

Lease Commitments

The District leases copy machines under a non-cancelable operating lease for five years. The following is a schedule of future minimum rentals under the lease at June 30, 2017:

Year Ending June 30,	
2018	\$ 7,564
2019	4,741
2020	4,176
2021	1,392
	<u>\$ 17,873</u>

NOTE 12 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. 80, *Blending Requirements for Certain Component Units and 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 Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

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.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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.

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 was 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.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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*, improves 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.

GASB Statement No. 90, *Majority Equity Interests*, 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 what effect these statements will have on the District's financial statements.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 13 PRIOR PERIOD ADJUSTMENT

Prior period adjustments were made to net position and fund balances to correct ending balances in the prior period related to the following accounts:

Net Position June 30, 2016, as previously reported	\$ (882,161)
Restatement for Net Position	
Adjustment to Cash to Reconcile Balance	(185,213)
Accounts Receivables	46,720
Accounts Payable	(15,824)
Accounts Payable - Building	(51,761)
Accrued Salaries & Benefits Payable	(51,252)
Compensated Absences	(264,792)
Accrued Interest Payable	(6,807)
Notes Payable	(21,810)
Net Pension Liability	(13,196)
Net Position June 30, 2016, as restated	<u><u>\$ (1,446,096)</u></u>
Fund Balance July 1, 2016, as previously reported	
Restatement for Fund Balance	\$ 564,419
Adjustment to Cash to Reconcile Balance	(185,213)
Accounts Receivables	46,720
Accounts Payable	(15,825)
Accounts Payable - Building	(51,761)
Accrued Salaries & Benefits Payable	(51,252)
Fund Balance June 30, 2016, as restated	<u><u>\$ 307,088</u></u>

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year end, the District entered into a new loan with Harlow buses. Subsequent events have been evaluated through August 14, 2020, which is the date these financial statements were available to be issued.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Property Tax Levies	\$ 242,850	\$ 242,850	\$ 255,690	\$ 12,840
Other Local & County Revenues	-	-	32,000	32,000
Revenue From State Sources	6,019,215	6,019,215	6,156,448	137,233
Revenue From Federal Sources	3,012,641	3,012,641	3,426,143	413,502
Other Revenue	-	685,354	-	(685,354)
Interest	-	-	956	956
TOTAL REVENUES	9,274,706	9,960,060	9,871,237	(88,823)
EXPENDITURES				
Business Support Services	215,432	215,432	161,725	(53,707)
Instructional Support Services	240,046	240,046	242,267	2,221
Administration	714,892	714,892	859,274	144,382
Operations and Maintenance	893,729	893,729	739,073	(154,656)
Transportation	265,079	265,079	185,918	(79,161)
Regular Instruction	5,915,531	5,915,531	5,772,984	(142,547)
Special Education	444,435	444,435	481,377	36,942
Vocational Education	133,641	133,641	134,044	403
Extra-Curricular Activities	297,102	297,102	356,155	59,053
Capital Outlay	-	-	289,002	289,002
Principal Retirement	-	-	71,810	(71,810)
Interest and Fiscal Charges on Long-Term Debt	-	-	16,785	(16,785)
TOTAL EXPENDITURES	9,119,887	9,119,887	9,310,414	13,337
Excess (Deficiency) of Revenues Over Expenditures	154,819	840,173	560,823	(102,160)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(285,056)	285,056
Issuance of Long-Term Debt	-	-	24,560	(24,560)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(260,496)	(260,496)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	154,819	840,173	300,327	(539,846)
Fund Balances - Beginning as Restated	271,583	271,583	271,583	-
Fund Balances - Ending	<u>\$ 426,402</u>	<u>\$ 1,111,756</u>	<u>\$ 571,910</u>	<u>\$ (539,846)</u>

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 408,090	\$ (408,090)	-	\$ 3,200,702	12.75%
2016	330,097	(330,097)	-	2,589,121	12.75%
2015	259,891	(259,891)	-	2,417,614	10.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 114,609	\$ (114,609)	-	\$ 1,609,674	7.12%
2016	87,634	(87,634)	-	1,230,816	7.12%
2015	73,907	(73,907)	-	1,038,016	7.12%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.449408%	\$ 6,584,094	\$ 2,919,917	225.49%	59.20%
2015	0.420923%	5,505,063	2,589,121	212.62%	62.10%
2014	0.416792%	4,367,241	2,417,614	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.127124%	\$ 1,238,947	\$ 1,281,108	96.71%	70.46%
2015	0.122007%	816,428	1,069,638	76.33%	77.70%
2014	0.123225%	782,135	1,038,016	75.35%	72.12%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures exceeded budgeted expenditures by \$13,337.

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

1. The administration prepares the District'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 Board reviews the budget, may make revisions, and adopts the final budget before August tenth of each year. The budget is then filed with the county auditor by August tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after August tenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NDPERS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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
Dunseith Public School District No. 1
Dunseith, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, which collectively comprise Dunseith Public School District No. 1's basic financial statements and have issued our report thereon dated August 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dunseith Public School District No. 1'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 2017-001, 2017-002, 2017-003 and 2017-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dunseith Public School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District'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 results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

August 14, 2020

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

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Dunseith Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dunseith Public School District No. 1's major federal programs for the year ended June 30, 2017. The Dunseith Public School District'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 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 Dunseith Public School District No. 1's major federal program 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 the District'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 the major federal program. However, our audit does not provide a legal determination on the District's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in the accompanying schedule of findings and questioned costs, Dunseith Public School District No. 1 did not comply with requirements regarding CFDA 84.010 Title I as described in finding numbers 2017-005 for Allowable Costs/Cost Principles and 2017-006 for Reporting and CFDA 84.041 Impact Aid as described in finding number 2017-006 for Reporting. Compliance with such requirements is necessary, in our opinion, for Dunseith Public School District No. 1 to comply with the requirements applicable to these programs.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dunseith Public School District No. 1 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 federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Dunseith Public School District No. 1 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 the District'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 the 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 the District'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 have not been identified. We did identify certain deficiencies in internal control over compliance, described in

the accompanying schedule of findings and questioned costs as 2017-005 and 2017-006 that we consider to be material weaknesses.

Dunseith Public School District No. 1's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Dunseith Public School District No. 1'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

August 14, 2020

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>CFDA #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Education</u>			
84.004	Civil Rights Training and Advisory Services		\$ 625
84.041B	Impact Aid		2,117,890
84.060	Indian Education Grants to Local Educational Agencies		66,843
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Grants to Local Educational Agencies	F84010	942,816
84.367	Title II Part A - Improving Teacher Quality State Grant	F84367	178,965
84.369	Grants for State Assessments and Related Activities	F84369	19,500
Total Passed through ND DPI			<u>1,141,281</u>
Passed Through the North Dakota Department of Career and Technical Education			
84.048	Career and Technical Education - Basic Grants to States	F84048	<u>35,445</u>
Total Passed Through ND CTE			<u>35,445</u>
Passed Through North Central Education Cooperative			
84.287A	21st Century Community Learning Centers	F84287A	<u>12,804</u>
Total Passed Through North Central Education Cooperative			<u>12,804</u>
Passed Through Turtle Mountain Band of Chippewa Indians			
84.358	Rural Education		<u>44,201</u>
Total Passed Through North Valley Career-Tech Center			<u>44,201</u>
Total Department of Education			<u>3,419,089</u>
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
Child Nutrition Cluster:			
10.555	Child Nutrition - School Lunch	F10555	166,890
10.553	Child Nutrition - School Breakfast	F10553	89,894
10.559	Summer Food Service	F10559	24,826
10.555	Food Distribution-Non Cash	F10555	16,957
Total Cluster			<u>298,567</u>
10.575	Farm to School Program	F10575	6,976
10.582	Fruit and Vegetable Grant	F10582	<u>7,054</u>
Total Department of Agriculture			<u>312,597</u>
TOTAL			<u>\$ 3,731,686</u>

See Notes to the Schedule of Expenditures of Federal Awards

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the 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 reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 - INDIRECT COST RATE

Dunseith Public School District No. 1 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - NONMONETARY TRANSACTIONS

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed.

NOTE 4 - BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Dunseith Public School District No. 1 under programs of the federal government for the year ended June 30, 2017. 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 Dunseith Public School District No. 1, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 5 - PASS-THROUGH ENTITIES

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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

84.010	Title I
84.041	Impact Aid

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-001 Finding

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the entity currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The entity has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The entity elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

2017-002 Finding

Criteria

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

Condition

The School District has one employee responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

There is one employee for multiple functions such as executing and recording transactions.

Effect

The business manager performed duties that included executing and recording transactions.

Recommendation

The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

2017-003 Finding

Criteria

A procedure to reconcile account balances should be in place.

Condition

Account balances are not reconciled on a monthly basis.

Cause

Accounts were not reconciled on a monthly basis.

Effect

Account balances are not accurate at month and year end.

Recommendation

We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

2017-004 Finding

Criteria

All financial statements should be complete and accurate.

Condition

The North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication are not accurate.

Cause

Accounts were not reconciled on a monthly basis. Revenue and expenditure information was not complete or accurate.

Effect

Third-party users of the North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication do not have accurate information.

Recommendation

We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to. The North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication should be prepared after these reconciliations have been performed.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-005 Allowable Costs/Cost Principles

Federal Program Information

Funding Agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: 84.010

Criteria

The District must document employee time and effort spent in the Title I program.

Condition

District was missing documentation to support time and effort of one faculty member's wages being charged to the Title I program.

Questioned Costs

Undeterminable.

Context

All faculty members were tested. Out of the eight faculty members tested, one of the faculty members did not have the necessary documentation on file. Total amount of salary expense tested was \$228,031. Salary expense for faculty member without time and effort documentation was \$25,200.

Effect

Expenditures improperly or inaccurately being charged to the program.

Cause

The District could not provide support for the compliance requirement being tested.

Recommendation

We recommend the District require all faculty in the Title I program complete time and effort reports, annually.

Repeat Finding

No

Views of Responsible Officials

See corrective action plan.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

2017-006 Reporting

Federal Program Information

Funding Agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: 84.010

Funding Agency: U.S. Department of Education
Title: Impact Aid
CFDA Number: 84.041

Criteria

To provide reasonable assurance that the reporting requirement to timely file the annual audited financial statements with the Federal Audit Clearinghouse within nine months of the District's year end is met.

Condition

The District's June 30, 2017 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Questioned Costs

Not Applicable

Context

The District's June 30, 2017 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Effect

Non-compliance with Uniform Guidance reporting requirements.

Cause

The District did not contract for audit until after the filing deadline.

Recommendation

Controls should be implemented to contract for audit prior to audit deadline to ensure the District's financial statements are audited and filed with the Federal Audit Clearinghouse within nine months of each year end.

Repeat Finding

No

Views of Responsible Officials

See corrective action plan.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

2016-001 Finding

Criteria

A procedure to prove month end balances should be in place.

Condition

Account balances are not reconciled to actual at month end.

Effect

Account balances are not accurate at month end.

Recommendation

We recommend a monthly proof of balances procedure be implemented for the District's General Fund.

Corrective Action Taken

None. See current year finding 2017-003.

2016-002 Finding

Criteria

Internal control should be accomplished through proper separation of duties.

Condition

The Dunseith Public School District No. 1, Dunseith, North Dakota has one business manager responsible for most accounting functions. The business manager collects monies, issues receipts, deposits monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial statements. The degree of internal control is limited.

Effect

Internal control is limited.

Recommendation

Due to the size of the School District it is not feasible to obtain proper segregation of duties and no action is practical.

Corrective Action Taken

None. See current year finding 2017-002.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

2016-003 Finding

Criteria

All financial statements should be complete and accurate.

Condition

The North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication are not completely accurate.

Effect

Third-party users of the school district financial statements do not have accurate information.

Recommendation

We recommend that procedures such as those recommended in 2016-001 be implemented to insure accurate financial statements.

Corrective Action Taken

None. See current year finding 2017-004.

Dunseith Public Schools

Dunseith School District 1
P.O. Box 789, 101 2nd Avenue SW
Dunseith, ND 58329

Superintendent's Office
(701)244-0480

Elementary School
(701) 244-5792

Superintendent's Fax
(701) 244-5129

Elementary Fax
(701) 244-5183

Business Office
(701) 244-0480

CORRECTIVE ACTION PLAN JUNE 30, 2017

High School
(701)244-5249
Or (701)244-5240

2017-001

High School Fax
(701)244-9708

Contact Person
Evan Peltier

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

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

2017-002

Contact Person
Evan Peltier

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

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

2017-003

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-21.

Dunseith Public Schools

Dunseith School District 1
P.O. Box 789, 101 2nd Avenue SW
Dunseith, ND 58329

Superintendent's Office
(701)244-0480

Elementary School
(701) 244-5792

Superintendent's Fax
(701) 244-5129

Elementary Fax
(701) 244-5183

Business Office
(701) 244-0480

CORRECTIVE ACTION PLAN - CONTINUED JUNE 30, 2017

High School
(701)244-5249
Or (701)244-5240

High School Fax
(701)244-9708

2017-004

Contact Person

Evan Peltier

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date

The planned completion date will be the start of FY-21.

2017-005

Contact Person

Evan Peltier

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date

The planned completion date will be the start of FY-21.

2017-006

Contact Person

Evan Peltier

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date

The planned completion date will be the start of FY-21.