

**FOUR WINDS ELEMENTARY SCHOOL**  
Fort Totten, North Dakota

***REPORT ON FINANCIAL STATEMENTS***  
***(with supplementary information)***  
***Year Ended June 30, 2017***

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
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**Year Ended June 30, 2017**

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# Schauer & Associates, P.C.

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Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

School Board  
**Four Winds Elementary School**  
Fort Totten, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of **FOUR WINDS ELEMENTARY SCHOOL**, Fort Totten, North Dakota as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the 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.

### Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

## INDEPENDENT AUDITORS' REPORT – continued

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of **FOUR WINDS ELEMENTARY SCHOOL**, Fort Totten, North Dakota, as of June 30, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 budgetary comparison information for the General Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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*

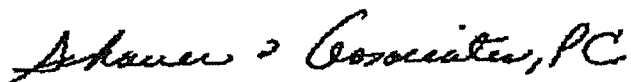
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **FOUR WINDS ELEMENTARY SCHOOL**'s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 taken as a whole.

## INDEPENDENT AUDITORS' REPORT – continued

The listing of school district officials on page 24 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 February 12, 2020, on our consideration of the **FOUR WINDS ELEMENTARY SCHOOL**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 **FOUR WINDS ELEMENTARY SCHOOL**'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 **FOUR WINDS ELEMENTARY SCHOOL**'s internal control over financial reporting and compliance.



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
February 12, 2020

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2017**

The Management's Discussion and Analysis (MD&A) of **FOUR WINDS ELEMENTARY SCHOOL's** (known as the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of the MD&A is to look at the School's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2016 - 2017 are as follows:

- Net position of the School decreased \$208,663 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$1,072,322.
- Total government-wide revenues from all sources were \$9,087,253.
- Total government-wide expenditures were \$9,295,916.
- The School's general fund had \$9,087,253 in total revenues and \$8,871,670 in total expenditures. Overall, the general fund balance increased by \$215,583 for the year ended June 30, 2017.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand **FOUR WINDS ELEMENTARY SCHOOL** as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**REPORTING ON THE SCHOOL AS A WHOLE**

**STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

These statements are summaries of all funds used by the **FOUR WINDS ELEMENTARY SCHOOL** to provide programs and activities and attempts to answer the question "How did the School do financially during the year ended June 30, 2017?"

The Statement of Net Position presents information on all the School's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information on how the School's net position changed during the fiscal year. This statement is presenting amounts using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused sick leave and vacation leave).

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2017**

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

In the Statement of Net Position and the Statement of Activities, the School reports governmental activities. Governmental activities are activities where most of the School's programs and services are reported including, but not limited to, instruction, support services, and administration.

**REPORTING ON THE SCHOOL'S MOST SIGNIFICANT FUNDS**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

The School uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the School to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the School's major funds. The general fund is considered a major fund using the criteria established by GASB Statement No. 34.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

Table I provides a summary of the District's net position as of June 30, 2017 and 2016.

	Table I NET POSITION June 30,	
	2017	2016
<b>ASSETS</b>		
Current assets	\$ 3,138,549	\$ 2,949,787
Capital assets (net of depreciation)	647,712	1,035,125
Total Assets	<u>3,786,261</u>	<u>3,984,912</u>
<b>LIABILITIES</b>		
Current liabilities	2,578,383	2,605,205
Long-term debt	135,556	98,722
Total Liabilities	<u>2,713,939</u>	<u>2,703,927</u>
<b>NET POSITION</b>		
Net investment in capital assets	647,712	1,035,125
Unrestricted	424,610	245,860
Total Net Position	<u>1,072,322</u>	<u>1,280,985</u>
Total Liabilities and Net Position	<u>\$ 3,786,261</u>	<u>\$ 3,984,912</u>

As indicated in the financial highlights above, the School's net position decreased by \$208,663 as a result of operations for the year ended June 30, 2017. The School recorded a decrease of \$795,960 as a result of operations for the year ended June 30, 2016. Changes in net position may serve over time as a useful indicator of the School's financial position.

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2017**

The School's net position of \$1,072,322 is segregated into two separate categories. Net investment in capital assets represents the largest portion of the School's total net position. It should be noted that these assets are not available for future spending. The balance consists of unrestricted net position.

Table II shows the changes in net position for the fiscal years ended June 30, 2017 and 2016.

Table II  
**CHANGES IN NET POSITION**  
Years Ended June 30

	2017		2016	
<b>REVENUES</b>				
Program revenues				
Charges for services	\$ 10,011	.11%	\$ 9,775	.12%
Operating grants and contributions	8,805,966	96.90	7,882,419	99.05
General revenues				
Miscellaneous revenues	111,749	1.23	40,926	.52
Investment earnings	159,527	1.76	24,841	.31
Total Revenues	<u>9,087,253</u>	<u>100.00</u>	<u>7,957,961</u>	<u>100.00</u>
<b>EXPENSES</b>				
Instructional support services	134,871	1.45	157,407	1.80
Administrative services	435,923	4.69	385,571	4.40
Operation and maintenance	325		798	.01
Transportation	542,852	5.84	506,229	5.78
Regular instruction	6,202,687	66.73	5,713,887	65.27
Food service	624,497	6.72	579,565	6.62
Special education	1,282,903	13.80	1,351,996	15.45
Extra-curricular activities	71,858	.77	58,468	.67
Total Expenses	<u>9,295,916</u>	<u>100.00%</u>	<u>8,753,921</u>	<u>100.00%</u>
Change in Net Position	(208,663)		(795,960)	
Beginning Net Position	<u>1,280,985</u>		<u>2,076,945</u>	
Ending Net position	<u>\$ 1,072,322</u>		<u>\$ 1,280,985</u>	

Operating grants and contributions constituted 97% of governmental activities of the School for fiscal year ended June 30, 2017. Operating grants and contributions constituted 99% of governmental activities of the School for fiscal year ended June 30, 2016.

Regular instruction constituted 67%, special education 14% and food service 7% of total expenditures for governmental activities during fiscal year ended June 30, 2017. Regular instruction constituted 65%, special education 15% and food service 7% of the total expenditures for governmental activities during fiscal year ended June 30, 2016.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenues and other unrestricted revenues.



**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2017**

Table III  
**TOTAL AND NET COST OF SERVICES**

	Total Costs Year Ended June 30, 2017	Net Costs Year Ended June 30, 2017	Total Costs Year Ended June 30, 2016	Net Costs Year Ended June 30, 2016
Instructional support services	\$ 134,871	\$ (134,871)	\$ 157,407	\$ (157,407)
Administrative services	435,923	(435,923)	385,571	(385,571)
Operation and maintenance	325	(325)	798	(798)
Transportation	542,852	(186,932)	506,229	(174,499)
Regular instruction	6,202,687	356,365	5,713,887	(70,393)
Food service	624,497	(6,395)	579,565	42,662
Special education	1,282,903		1,351,996	(57,253)
Extra-curricular activities	71,858	(71,858)	58,468	(58,468)
Total Expenses	<u>\$ 9,295,916</u>	<u>\$ (479,939)</u>	<u>\$ 8,753,921</u>	<u>\$ (861,727)</u>

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils. Administration includes expenses associated with administrative and financial supervision of the School. Operations and maintenance of plant involves maintaining the school grounds, buildings and equipment in an effective working condition. Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law. Regular instruction includes activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. Food service includes the expenses directly dealing with providing breakfast and lunch service to students and staff of the school. Special education includes the costs that support the education of students with other needs. Extra-curricular activities include expenses related to student activities provided by the School, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

**CAPITAL ASSETS**

**FOUR WINDS ELEMENTARY SCHOOL** had \$647,712 invested in capital assets as of June 30, 2017. Table IV shows the balances as of June 30, 2017 and 2016.

Table IV  
**CAPITAL ASSETS (net of accumulated depreciation)**  
**June 30,**

	2017	2016
Vehicles	\$ 19,475	\$ 58,425
Furniture and equipment	628,237	976,700
Total Capital Assets (net of depreciation)	<u>\$ 647,712</u>	<u>\$ 1,035,125</u>

**DEBT ADMINISTRATION**

At June 30, 2017, the School had \$135,556 of outstanding long-term debt, with none due within one year.

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - continued**  
**Year Ended June 30, 2017**

Table V  
Long-Term Debt at June 30

	2017	2016
Compensated absences	\$ 135,556	\$ 98,722
Total	\$ 135,556	\$ 98,722

For more detailed information on the School's debt, please refer to note 5 of the basic financial statements.

**FOR THE FUTURE**

The Tate Topa (Four Winds) Elementary School has been in place since August 17, 1987 and continues to operate as a Tribal/(BIE) Bureau of Indian Education School overseen by a Tribal School Board of Education consisting of 5 enrolled Spirit Lake Tribal members. Tate Topa operates mainly on a grant from the Bureau of Indian Education and a small Department of Education grant and State of North Dakota funding for the food service program. We have in the past received supplementary small grants from the Department of Public Instruction from the State of North Dakota. The School has presently 530 students enrolled of which at least 42 students do not generate any income as they do not meet the criteria to be Native American as established by the Department of Interior.

The future items we are working on are to always provide a better overall education for students. The first item is to create a curriculum which promotes a sound education and provide the funds for it to aggressively work toward this so our students can compete in the workplace. In order to do this, we need to hire and maintain quality staff paid a fair wage and benefits and give them training to not only better themselves but students. As always, we need to provide the most up to date technology and training for staff and students by providing computers and software that are up to date and are matched to the curriculum.

One area we are aggressively pursuing is approaching the BIE and State of North Dakota to recoup the school some type of funding for the noncountable students. With the number of noncountable students becoming larger, the funds received are stretched over a larger student body then they were intended for.

We are hoping to increase our presence in the area of mental health and the ever-increasing effects of drug abuse and alcohol on our students and community. This is a must and needs to be coordinated with the other programs on the reservation to receive the optimum outcome!

Fiscally we believe we are using sound judgement in regard to spending and are always looking for more and better ways of completing the task. There is always room for improvement and have hired an audit firm and CPA to further review our accounting system to complete this.

In conclusion, we are working to best meet our student needs in this ever-challenging environment.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of **Four Winds Elementary School's** finances and to show the School's accountability for the money it receives. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact Perry Kopp, Business Manager, Four Winds Elementary School, 7268 Hwy 57, Fort Totten, ND 58335.

**Four Winds Elementary School**  
**Fort Totten, North Dakota**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 36,160
Investments	2,898,441
Due from other districts	143,613
Grants receivable	60,335
Total Current Assets	<u>3,138,549</u>
Capital assets	
Vehicles	389,500
Furniture and equipment	4,469,419
Less: accumulated depreciation	<u>(4,211,207)</u>
Total Capital Assets	<u>647,712</u>
 Total Assets	 <u><u>\$ 3,786,261</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 151,949
Unearned revenue	2,426,434
Total Current Liabilities	<u>2,578,383</u>
Long-term liabilities	
Due in more than one year	
Compensated absences	<u>135,556</u>
Total Long-Term Liabilities	<u>135,556</u>
 Total Liabilities	 <u>2,713,939</u>
<b>NET POSITION</b>	
Net investment in capital assets	647,712
Unrestricted	424,610
Total Net Position	<u>1,072,322</u>
 Total Liabilities and Net Position	 <u><u>\$ 3,786,261</u></u>

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

**Four Winds Elementary School**  
Fort Totten, North Dakota  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>	<u>Expenses</u>			
Primary government	\$ 134,871	\$	\$	(134,871)
Instructional support services	435,923			(435,923)
Administration services	325			(325)
Operation and maintenance	542,852	355,920		(186,932)
Transportation	6,202,687	6,559,052		356,365
Regular instruction	624,497	608,091		(6,395)
Food service	1,282,903	1,282,903		(71,858)
Special education	71,858			(71,858)
Extracurricular activities				
Total Governmental Activities	\$ 9,295,916	\$ 8,805,966		(479,939)
<b>General revenues:</b>				
Miscellaneous revenues				111,749
Unrestricted investment earnings				159,527
Total general revenues, special items, and transfers				271,276
Change in net position				(208,663)
Net position:				
Beginning of year				1,280,985
Net position - ending				\$ 1,072,322

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

# Four Winds Elementary School

Fort Totten, North Dakota  
BALANCE SHEET  
Governmental Funds  
June 30, 2017

	<u>General Fund</u>
<b>ASSETS AND DEFERRE OUTFLOWS OF RESOURCES</b>	
Cash and cash equivalents	\$ 36,160
Investments	2,898,441
Due from other districts	143,613
Grants receivable	<u>60,335</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,138,549</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities	\$ 151,949
Accounts payable	<u>151,949</u>
Total Liabilities	
Deferred inflows of resources:	
Unavailable revenue	<u>2,426,434</u>
Fund balances	
Unassigned	<u>560,165</u>
Total Fund Balances	<u>560,165</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,138,548</u>

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

**Four Winds Elementary School**  
**Fort Totten, North Dakota**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

Total fund balance, governmental funds	\$ 560,165
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	647,712
Some liabilities (such as long-term compensated absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(135,556)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 1,072,322</u></u>

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

**Four Winds Elementary School**  
**Fort Totten, North Dakota**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Governmental Funds**  
**Year Ended June 30, 2017**

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 10,011
Revenue from federal sources	8,805,966
Other revenues	111,749
Investment earnings	<u>159,527</u>
Total Revenues	<u>9,087,253</u>
<b>EXPENDITURES</b>	
Current	
Instructional support services	134,871
Administration	442,923
Operations and maintenance	325
Transportation	503,902
Regular instruction	5,810,391
Special education	1,282,903
Food service	624,497
Extracurricular activities	<u>71,858</u>
Total Expenditures	<u>8,871,670</u>
Net change in fund balances	215,583
Fund balances - beginning	344,582
Fund balances - ending	<u><u>\$ 560,165</u></u>

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

**Four Winds Elementary School  
Fort Totten, North Dakota**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES  
Year Ended June 30, 2017**

Net change in fund balances - total governmental funds:	\$ 215,583
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount by which depreciation \$413,781 exceeded capital outlay \$26,370 in the current period.	
	(387,412)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	
	<u>(36,834)</u>
Change in net position of governmental activities	<u><u>\$ (208,663)</u></u>

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



**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2017**

**1. Summary of Significant Accounting Policies**

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

**A. Description of the Reporting Entity**

The **FOUR WINDS ELEMENTARY SCHOOL** operates in Fort Totten, North Dakota.

**B. Reporting Entity**

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. No component units of the School have been excluded from this report.

**C. Basis of Presentation**

***School-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange revenues. The School does not report any business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2017**

**C. Basis of Presentation – continued**

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
3. In addition, any other governmental fund that the School believes is particularly important to financial statement users may be reported as a major fund.

***Governmental Funds***

Governmental funds are utilized to account for most of the School's governmental functions. The School's major governmental fund is as follows:

***General Fund***

The General Fund is the operating fund of the School and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**D. Basis of Accounting**

The government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest not matured on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2017**

**D. Basis of Accounting - continued**

State general and categorical aids and other entitlements are recognized as revenue in the period the School is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the School which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided by other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the district has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**E. Measurement Focus**

On the government-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

Liabilities for claims, judgments, compensated absences and pension contributions that will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

**F. Estimates**

The preparation of 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.

**G. Budgets and Budgetary Accounting**

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

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2017**

**G. Budgets and Budgetary Accounting - continued**

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

**H. Deposits and Investments**

The District maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

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

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

*Credit risk.* North Dakota state statute authorizes school districts to invest their surplus funds in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of a type listed above.
3. Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or by the state.
4. Obligations of the state.

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017, the District's deposits were insured or collateralized with securities held by the financial institutions in the District's name. (See note 2)

**I. Fair Value Measurements**

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

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2017**

**I. Fair Value Measurements - continued**

The School 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 to determining those values. This statement required 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.

**J. Capital Assets**

***District-Wide Statements***

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 assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the School's fiscal year. The School has established a capitalization threshold of \$5,000. Donated capital assets are recorded at their fair market value at the date received. The School does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

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

Equipment and fixtures	5 - 20 years
Vehicles	8 years

**K. Accrued Liabilities and Long-Term Obligations**

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

**L. Compensated Absences**

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

**M. Net Position Classifications**

***Government-Wide Statements***

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the School's financial statements:

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2017**

**M. Net Position Classifications - continued**

1. Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisitions, construction, or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

***Fund Balances***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

*Nonspendable* – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the School Board.

*Assigned* – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

*Unassigned* – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**2. Cash and Cash Equivalents**

At June 20, 2017, the carrying amount of the School's deposits was \$87,812 and the bank balance was \$278,960. The entire bank balance was covered by Federal Depository Insurance or collateral held by the School's agent in the School's name in amounts sufficient to meet North Dakota legal requirements.

## Year Ended June 30, 2017

As of June 30, 2017, the School had the following investments and maturities:

\$	13,055	\$	2,833,734
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-21-

Moody's  
Moody's  
Moody's

**Not rated**

N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2017**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<i>Governmental Activities</i>				
Vehicles	\$ 389,500	\$	\$	\$ 389,500
Furniture and equipment	4,443,049	26,370		4,469,419
Total Capital Assets	<u>4,832,549</u>	<u>26,370</u>		<u>4,858,919</u>
Less Accumulated Depreciation for				
Vehicles	331,075	38,950		370,025
Furniture and equipment	3,466,349	374,833		3,841,182
Total Accumulated Depreciation	<u>3,797,424</u>	<u>413,783</u>		<u>4,211,207</u>
Net Capital Assets	<u>\$ 1,035,125</u>	<u>\$ 387,412</u>	<u>\$</u>	<u>\$ 647,712</u>

In the governmental activities section of the Statement of Activities, depreciation was charged to the following governmental functions:

Transportation	\$ 38,950
Regular instruction	<u>374,833</u>
	<u>\$ 413,783</u>

**5. Long-Term Obligations**

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Vested compensated absences	\$ 98,722	\$ 36,834	\$	\$ 135,556	\$
Total Long-Term Liabilities	<u>\$ 98,722</u>	<u>\$ 36,834</u>	<u>\$</u>	<u>\$ 135,556</u>	<u>\$</u>

**6. Fund Balance**

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



**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**Year Ended June 30, 2017**

**7. Contingencies**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2017.

**8. Pension Plans**

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

**9. Risk Management**

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

The School has purchased commercial insurance coverage to cover property damage to buildings and personal property and to cover the various types of liabilities they are exposed to.

The School 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.

## **OTHER SUPPLEMENTARY INFORMATION**

**FOUR WINDS ELEMENTARY SCHOOL  
Fort Totten, North Dakota  
SCHOOL DISTRICT OFFICIALS  
June 30, 2017**

Arthur Carmona	Chairman
David Davidson, Jr.	Vice-Chairman
Ivan Lovejoy, Sr.	Board Member
Dixie Omen	Board Member
Colleen Chaske	Board Member
Jackie Thompson	Superintendent
Perry Kopp	Business Manager

# Schauer & Associates, P.C.

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Certified Public Accountants

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**INDEPENDENT AUDITORS' 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***

School Board  
**FOUR WINDS ELEMENTARY SCHOOL**  
Fort Totten, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **FOUR WINDS ELEMENTARY SCHOOL**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the **FOUR WINDS ELEMENTARY SCHOOL's** basic financial statements and have issued our report thereon dated February 12, 2020.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **FOUR WINDS ELEMENTARY SCHOOL's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **FOUR WINDS ELEMENTARY SCHOOL's** internal control. Accordingly, we do not express an opinion on the effectiveness of **FOUR WINDS ELEMENTARY SCHOOL's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs items 2017-001 and 2017-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2017-003 to be significant deficiencies.

**INDEPENDENT AUDITORS' 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* – continued 2**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **FOUR WINDS ELEMENTARY SCHOOL's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**FOUR WINDS ELEMENTARY SCHOOL's Response to Finding**

**FOUR WINDS ELEMENTARY SCHOOL's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **FOUR WINDS ELEMENTARY SCHOOL's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
February 12, 2020

# Schauer & Associates, P.C.

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Certified Public Accountants

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

School Board  
**Four Winds Elementary School**  
Fort Totten, North Dakota

### **Report on Compliance for Each Major Federal Program**

We have audited **FOUR WINDS ELEMENTARY SCHOOL's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **FOUR WINDS ELEMENTARY SCHOOL's** major federal programs for the year ended June 30, 2017. **Four Winds Elementary School's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **FOUR WINDS ELEMENTARY SCHOOL's** compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE – continued - 2**

**Basis for Qualified Opinion on Each Major Program**

As described in the accompanying schedule of findings and questioned costs, the **Four Winds Elementary School** did not comply with requirements regarding: CFDA 15.042 Indian School Equalization as described in finding number 2017-004 for reporting, and 2017-005 for reporting,; CFDA 84.010 Title I Grants to Local Education Agencies as described in finding number 2017-004 for reporting; and CFDA 84.027 Special Education Grants to States as described in finding number 2017-004 for reporting, and 2017-005 for reporting. Compliance with such requirements is necessary, in our opinion, for the **Four Winds Elementary School** to comply with the requirements applicable to that program.

**Qualified Opinion on Each Major Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the **FOUR WINDS ELEMENTARY SCHOOL** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major programs for the year ended June 30, 2017.

**Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-004. Our opinion on each major federal program was not modified with respect to this matter for Indian Child and Family Education CFDA # 15.043; Indian Schools – Student Transportation CFDA #15.044; Administrative Cost Grants for Indian Schools CFDA #15.046; and Education Enhancements CFDA # 15.151, which are all nonmajor federal programs.

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

**Report on Internal Control over Compliance**

Management of the **FOUR WINDS ELEMENTARY SCHOOL** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **FOUR WINDS ELEMENTARY SCHOOL's** internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 **FOUR WINDS ELEMENTARY SCHOOL's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE – continued - 3**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003 that we consider to be material weaknesses.

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

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



SCHAUER & ASSOCIATES, P.C.  
Certified Public Accountants

Jamestown, North Dakota  
February 12, 2020



**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2017**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor/Pass-Through Grantor Program Grant Title	Federal CFDA #	Pass-through Grantor Numbers	Expenditures
Department of the Interior			
Direct Funding			
Indian School Equalization *	15.042		\$ 4,549,251
Indian Child and Family Education	15.043		297,276
Indian Schools – Student Transportation	15.044		355,920
Administrative Cost Grants for Indian Schools	15.046		426,027
Education Enhancements	15.151		94,562
Total Department of Interior Direct Funding			<u>5,723,036</u>
Department of Education			
Direct Funding			
Title I Grants to Local Educational Agencies *	84.010		1,157,608
Special Education – Grants to State Cluster *	84.027		948,970
Indian Education Grants to Local Educational Agencies	84.060		133,949
Teacher Quality Partnership Grants	84.336		139,600
Rural Education	84.358		7,000
Total Department of Education Direct Funding			<u>2,287,127</u>
Passed through Devils Lake Public School District			
Twenty-first Century	84.287		87,712
Total Department of Education			<u>2,474,839</u>
Department of Agriculture			
Passed through the North Dakota Department of Public Instruction			
School Breakfast Program	10.553		200,639
National School Lunch Program	10.555		327,581
National School Lunch Program – noncash assistance	10.555		27,576
Summer Food Service Program for Children	10.559		39,023
Total Child Nutrition Cluster			<u>594,819</u>
Fresh Fruit and Vegetable Program	10.582		13,272
Total Department of Agriculture			<u>608,091</u>
Total Federal Funds			<u>\$ 8,805,966</u>

\* MAJOR PROGRAM

**FOUR WINDS ELEMENTARY SCHOOL**  
**Fort Totten, North Dakota**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2017**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **FOUR WINDS ELEMENTARY SCHOOL** 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 the **FOUR WINDS ELEMENTARY SCHOOL**, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the **FOUR WINDS ELEMENTARY SCHOOL**.

**B. Basis of Accounting**

Expenditures reported on 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. **FOUR WINDS ELEMENTARY SCHOOL** has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Four Winds Elementary School  
Fort Totten, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017**

**A. Summary of Auditors' Results**

Financial Statements

Type of Auditors' Report - 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

Noncompliance 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 auditors' 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

15.042 Indian School Equalization

84.010 Title I Grants to LEAS

84.027 Special education

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

\$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

**Four Winds Elementary School  
Fort Totten, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued  
Year Ended June 30, 2017**

**B. Financial Statements Findings**

Finding 2017-001 Material Weakness (Repeat Finding)

**Criteria**

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

**Condition**

The School's auditors prepared the financial statements as of June 30, 2017. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a School must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the School's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

**Cause**

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

**Effect**

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

**Recommendation**

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to distribution.

**View of Responsible Officials**

In order to comply with this, we have Schauer & Associates, CPA's hired to audit and keep the school in compliance as close as possible. Schauer & Associates provides financial statements in accordance with GAAP and keep the school informed as to rules and regulations of current accounting principles generally accepted in the United States.

**Four Winds Elementary School  
Fort Totten, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued  
Year Ended June 30, 2017**

**B. Financial Statements Findings - continued**

Finding 2017-002 Material Weakness

**Criteria**

A good system of internal accounting control contemplates a system designed to record transactions as they occur and reconcile cash accounts in a timely manner to ensure a complete and proper recording of financial transactions.

**Condition**

The Raymond James investment account and one of the General Funds cash accounts were recapped at the end of the year and transactions posted in one entry. In addition, none of the cash and investment accounts were reconciled to the bank statements monthly during the year ended June 30, 2017.

**Cause**

The School hired an outside party to recap the activity and reconcile the banks.

**Effect**

Discrepancies in the School's financial ledger accounts could remain undetected by management of the School. Examples of such discrepancies include lack of recording actual activity in the general ledger, recording the activity incorrectly and recording the activity in the wrong account.

**Recommendation**

We recommend that the School record all checking and investment activities as they occur and have all accounts reconciled to the bank accounts monthly under appropriate supervision.

**View of Responsible Officials**

We have hired a CPA in addition to the guidance of Schauer & Associates who is bringing everything current and have confidence all reconciliations will be up to date and we will maintain our current separation of duties.

**Four Winds Elementary School  
Fort Totten, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued  
Year Ended June 30, 2017**

**B. Financial Statements Findings - continued**

Finding 2017-003 Significant Deficiency

**Criteria and effect**

Accounting standards require adequate documentation of all deductions from employee payroll be maintained.

**Condition and cause**

We noted errors during our sample testing of 40 payroll transactions. Errors noted were due to failure to keep documentation to support a deduction from the gross salary of an employee. Errors were related to retirement election, health insurance rate, garnishments and purchase invoices related to lunch tickets.

**Recommendation**

Control processes regarding recordkeeping and maintenance of substantiating documentation should be maintained and reviewed to ensure it is being kept as evidence to support deductions taken from payroll.

**View of Responsible Officials**

This finding we believe is already corrected. The payroll clerk keeps records of garnishments, withholdings, medical, dental, vision and retirement and lunch tickets. The documents are in the payroll clerk's office for access during payroll for proper implementation. We are finalizing the details with Schauer & Associates and believe this to be corrected.

**Four Winds Elementary School  
Fort Totten, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued  
Year Ended June 30, 2017**

**C. Federal Award Findings**

Finding 2017-004 Material Weakness (Repeat Finding)

**Federal Program**

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

**Criteria**

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

**Condition**

Quarterly Federal Financial Reports (SF-425) are prepared for all five (5) programs under one (1) report. All quarterly reports filed for the fiscal year were selected for testing. None of the expenditures for the quarterly reports agreed to the supporting documentation provided and the differences were substantial. There were also addition errors on the forms. It also appears that the reports were not formally reviewed and approved by someone outside of the preparation process.

**Questioned costs**

Not applicable.

**Context**

Quarterly Federal Financial Reports (SF-425) are prepared for both programs under one report. All quarterly reports filed for the fiscal year were selected for testing. Very few of the numbers reported agreed to the supporting documentation supplied and there were numerous errors on the forms. None of the reports were formally reviewed and approved by an individual outside of the preparation process.

**Effect**

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

**Cause**

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

**Recommendation**

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

**Views of Responsible Officials**

We have hired Schauer & Associates and are working diligently to correct and have added an additional CPA to work extensively on this issue to resolve asap. We have come to terms on this and multiple parties will review for accuracy.

**Four Winds Elementary School  
Fort Totten, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued  
Year Ended June 30, 2017**

**C. Federal Award Findings - continued**

Finding 2017-005 Material Weakness (Repeat Finding)

**Federal Program**

All Federal Programs - Reporting

**Criteria**

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

**Condition**

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

**Questioned costs**

Not applicable.

**Context**

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

**Effect**

Non-compliance with the reporting requirements.

**Cause**

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

**Recommendation**

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

**Views of Responsible Officials**

We have a solid Audit firm hired and an additional CPA to get us back on schedule asap. We have fallen behind due to our original auditor passing away and believe this will be in order as quickly as possible.



**Four Winds Elementary School  
Fort Totten, North Dakota  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2017**

**Finding 2016-001 Preparation of Financial Statements and Schedule of Federal Expenditures (SEFA)**

**Status:** It is more cost effective for the School to hire Schauer & Associates, P.C., a public accounting firm to prepare full disclosure financial statements and the Schedule of Federal Expenditures as part of the annual audit process. The School has designated a member of management to review the draft financial statements and the accompanying notes to the financial statements.

**Initial Year Reported:** 2015

**Reasons for Recurrence and Corrective Action Plan:** As the School has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2017, see corrective action plan.

**Finding 2016-002 Lack of Segregation of Duties**

**Status:** Segregation of duties has since been implemented. Another individual handles the recording and processing of payroll and disbursements. Purchase orders require multiple approvals before payment is made. An outside consultant was hired to do bank reconciliations and year-end adjustments.

**Initial Year Reported:** 2014

**Finding 2016-003 Quarterly Filing of Federal Financial Reports (SF-425) Timely and Accurately**

**Status:** The quarterly SF-425 reports are not being filed timely and accurately

**Initial Year Reported:** 2015

**Reasons for Recurrence and Corrective Action Plan:** The School has hired an outside consultant to assist with the preparation and filing of the reports, but additional training is needed to have the correct amounts reported, documentation kept to support the amounts and timely filing of the reports within 30 days after the quarter ends. This finding will be repeated in 2017, see corrective action plan.

**Finding 2016-004 Audit Package Late Filing**

**Status:** The annual report filing to the federal clearinghouse, including the data collection form, was filed late.

**Initial Year Reported:** 2015

**Reasons for Recurrence and Corrective Action Plan:** Due to delayed hiring and turnover in independent auditors, the annual report was not filed timely. The current year will also not be filed timely. This finding is repeated in 2017, see corrective action plan.

**Four Winds Elementary School  
Fort Totten, North Dakota  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - continued  
Year Ended June 30, 2017**

**Finding 2016-005 Character Investigations by Indian Tribes and Tribal Organizations**

**Status:** The School has implemented the correction action plan with regard to the background checks prior to hiring and follows up on any disqualifying events.

**Initial Year Reported:** 2016

# *Tate Topa Tribal School*

Box 199 • 7268 Hwy 57 • Fort Totten, ND 58335 • 701-766-1403

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2017

2017-001

Contact Person  
Business Manager

In order to comply with this we have Schauer and Associates and a additional CPA hired to audit and keep the school in compliance with financial statements and schedule of Federal Expenditures. Schauer and Associates provide financial statements in accordance with GAAP and keep the school informed as to the rules and regulations of current accounting principles generally accepted in the United states.

2017-002

Contact Person  
Business Manager

In order to facilitate this change we have hired a CPA in addition to the guidance of Schauer and Associates to help facilitate this and are presently being on acted. Statements and reconciliation are taking place actively now and review will be in place as we progress on a monthly basis and recorded..

2017-003

Contact Person  
Business Manager

This finding is in order and being corrected. The payroll clerk keeps records of garnishments, withholdings medical, dental, vision and retirement and lunch tickets. The document is in the payroll clerk's office for access during payroll for proper implementation. We are finalizing the details with Schauer and Associates and believe this to be corrected.

2017-004

We have hired Schauer and Associates and are working diligently to correct and have added additional CPA to work extensively on this issue to resolve asap. We are presently in the process

of completing this. When complete there will be the documentation and review in place. The process of doing the 425 is being done with all parties involved for a common ground.

2017-005

The proper team of Auditors (Shauer and Associates) is in place to assure that audits will be done and submitted on a timely basis. Preparation is in place to assure that we are started and will be submitting as required.

