Financial Statements
June 30, 2018

Belcourt Public School District #7

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Independent Auditor's Report

Members of the School Board
Belcourt Public School District #7
Belcourt, North Dakota

Report on the Financial Statements
We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belcourt Public School District #7, as of and for the year ended June 30, 2018, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Belcourt Public School District #7, as of June 30, 2018, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

Other Matters

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belcourt Public School District #7's financial statements. The Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Contributions, and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for 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* (Uniform Guidance), and is also not a required part of the financial statements.

The Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Contributions – Pension, Schedule of Employer's Share of Net Other Post-Employment Benefits Liability, Schedule of Employer's Contributions – OPEB, the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 Employer's Share of Net Pension Liability, Schedule of Employer's Contributions, the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2019 on our consideration of Belcourt Public School District #7's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Belcourt Public School District #7'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 Belcourt Public School District #7's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
March 22, 2019

	Governmental Activities
Assets	
Current Assets	
Cash	$ 10,699,283
Certificate of deposit	3,785,131
Total current assets	14,484,414
Non-Current Assets	
Capital assets, not being depreciated	
Construction in progress	2,171,455
Capital assets, net of accumulated depreciation	
Buildings	2,986,163
Equipment	1,394,215
Vehicles	1,346,514
Total capital assets	7,898,347
Total assets	22,382,761
Liabilities	
Current Liabilities	
Current maturities of long term debt	141,207
Long-Term Liabilities	
Long-term debt less current portion	4,382,940
Total liabilities	4,524,147
Net Position	
Net investment in capital assets	3,374,200
Unrestricted	14,484,414
Total net position	$ 17,858,614

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities				
Instruction	$ 15,328,033	$ -	$ 7,492,687	$ (7,835,346)
Tuition	211,555	-	-	(211,555)
Support Services	5,570,679	-	442,600	(5,128,079)
Operation and Maintenance	722,594	-	-	(722,594)
Transportation	1,562,111	-	709,150	(852,961)
Extracurricular	1,458,099	-	-	(1,458,099)
Community service	185,903	-	-	(185,903)
Food service	1,591,417	50,489	1,118,759	(422,169)
Interest on long-term debt	90,463	-	-	(90,463)
Total governmental activities	$ 26,720,854	$ 50,489	$ 9,763,196	(16,907,169)
General Revenues				
State aid not restricted for specific purpose				
Per pupil aid				14,138,259
Other state aid				13,245
Federal aid not restricted for a specific purpose				
Impact aid				279,582
BIA Education Grant				4,307,400
Other federal aid				407,546
Interest income				52,913
Miscellaneous				35,478
Total general revenues				19,234,423
Change in Net Position				2,327,254
Net Position - Beginning of Year				15,531,360
Net Position - End of Year				$ 17,858,614

	General Fund	Other Governmental Fund	Total Governmental Funds
Assets			
Current assets			
Cash	$ 10,532,530	$ 166,753	$ 10,699,283
Certificate of deposit	3,785,131	-	3,785,131
Total Assets	$ 14,317,661	$ 166,753	$ 14,484,414
Fund Balances			
Assigned - Food Service	$ -	$ 166,753	$ 166,753
Unassigned	14,317,661	-	14,317,661
Total Fund Balances	$ 14,317,661	$ 166,753	$ 14,484,414

Total fund balance for governmental funds		$ 14,484,414
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not 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. Those assets consist of:		
Cost of capital assets	$ 15,954,101	
Less accumulated depreciation	(8,055,754)	7,898,347
Long-term liabilities applicable to the District's governmental activities are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		(4,524,147)
Net position of governmental activities in the statement of net position		$ 17,858,614

	General Fund	Other Governmental Fund	Total Governmental Funds
Revenues			
Local sources	$ 88,391	$ 50,489	$ 138,880
State sources	15,225,591	11,672	15,237,263
Federal sources	12,541,499	1,107,087	13,648,586
Other sources	23,379	-	23,379
Total revenues	27,878,860	1,169,248	29,048,108
Expenditures			
Instruction			
Regular	4,012,118	-	4,012,118
Special education	1,120,280	-	1,120,280
Federal programs	8,925,816	-	8,925,816
Vocation education	781,409	-	781,409
Tuition	211,555	-	211,555
Support Services			
Pupil services	848,037	-	848,037
Instructional staff services	913,506	-	913,506
General administration services	1,381,312	-	1,381,312
School administration services	798,329	-	798,329
Business services	613,545	-	613,545
Other support services	952,331	-	952,331
Operations and maintenance	591,943	-	591,943
Pupil transportation services	1,562,111	-	1,562,111
Extracurricular	1,458,099	-	1,458,099
Food services	195,362	1,396,055	1,591,417
Community service	185,903	-	185,903
Debt Service			
Interest and other fiscal costs	90,463	-	90,463
Capital Outlay	2,456,295	-	2,456,295
Total expenditures	27,098,414	1,396,055	28,494,469
Revenues Over (Under) Expenditures	780,446	(226,807)	553,639
Other Financing Sources (Uses)			
Bond proceeds	4,400,000	-	4,400,000
Bond premium	124,147		124,147
Transfers in (out)	(253,890)	253,890	-
Total other financing sources and uses	4,270,257	253,890	4,524,147
Net Change in Fund Balance	5,050,703	27,083	5,077,786
Fund Balances, Beginning of Year	9,266,958	139,670	9,406,628
Fund Balances, End of Year	$ 14,317,661	$ 166,753	$ 14,484,414

Net change in fund balances - total governmental funds		$ 5,077,786
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 2,456,295	
Depreciation expense	(682,680)	
		1,773,615
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(4,524,147)
Change in net position of governmental activities		$ 2,327,254

	Student Activity Fund
Assets	
Cash and cash equivalents	$ 93,697
Liabilities	
Due to student activities	$ 93,697

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Belcourt Public School District #7 operates the public schools in the city of Belcourt, North Dakota. The District's basic financial statements include the accounts of all the District's operations.

The reporting entity of the Belcourt Public School District #7 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Government-Wide Statements

The statement of net position and statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The statement of activities compares the direct expenses and program revenues for the governmental activities of the District. Direct expenses are clearly identifiable with a specific function. Program revenues consist of operating grants and contributions. General revenues, including taxes, are those revenues that are not classified as program revenue.

Fund Financial Statements

The fund financial statements provide detailed information for governmental funds. The fund statement's emphasis is on major governmental funds.

Measurement Focus, Basis of Accounting, Non-Exchange transactions, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide financial statements are reported using the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses resources are not included in the financial statements. Under the modified cash basis of accounting, the School District also does not record a liability related to its share of the net pension liability, deferred inflows of resources or deferred outflows of resources for the cost-sharing multiple employer defined benefit pension plan that the District participates in. Only capital assets and long-term debt are recorded under the basis of accounting described above. They are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include grants, entitlements, and donations. Under the modified cash basis of accounting the revenue from non-exchange transactions will be recorded.

The School District reports the following major governmental fund:

General Fund - The general fund is the general operating fund of the School District. All general revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

The School District reports the following non-major special revenue fund:

Food Service Fund — Food service fund is used to account for the proceeds of food service revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

The Fiduciary Fund accounts for assets held by the School District in a trustee capacity or as an agent on behalf of others.

The School District reports the following fiduciary fund:

Student Activity Fund – The student activity fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the School District.

Equity Classifications

Government-wide Statements

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Restricted and Unrestricted Resources

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use *committed, then assigned, and lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

Program Revenues

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Budgets and Budgetary Accounting

The School District budget is prepared on the modified cash basis and the School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent and Business Manager prepare the School District budget under the modified cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund.
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
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 10.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

Investment Policy

State statues authorize local governments to invest in: a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) certificates of deposit fully insured by the Federal Deposit Insurance Corporation or the state, and d) obligations of the state.

Pension

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS's fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. 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. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 5, is shown as additional information to the users of the financial statements.

Capital Assets

Fixed assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Fixed assets are defined as having an individual cost of $5,000 or more and have a useful life in excess of one year. Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	15-50 years
Equipment	5-20 years
Vehicles	10 years

All buildings used by the School District in its operations are owned by the Bureau of Indian Affairs except those included in the School District's government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized and instead are a period expense.

Compensated Absences

Annual leave is compensated 100% upon termination of employment at the employee's current hourly rate. Sick leave is compensated at 50% of a maximum of 480 hours. For employees hired before July 1, 1988, with 10 years of service, the rate is set at the employee's current hourly rate. For employees hired after July 1, 1988, with 10 years of service, the rate is set at $10.00 per hour. This commitment has not been recorded on the District's financial statements due to its utilization of the modified cash basis of accounting.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interfund 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 interfund transfers. Interfund 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.

Note 2 - Cash and Cash Equivalents

Deposits

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, 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 instrumentalities 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 another state of the United States or such other securities approved by the banking board.

At year ended June 30, 2018, the school's carrying amount of deposits was as follows:

Governmental activities	$ 10,699,283
Agency funds	93,697
	$ 10,792,980

The bank balances of these deposits were $16,342,393 which were collateralized by Federal Depository Insurance and securities held by the pledging financial institutions' agents in the government's name.

Interest Rate Risk

The School District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within one year.

Credit Risk

The school may invest idle funds as authorized in North Dakota Statutes, as follows:

a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
d) Obligations of the state.

As of June 30, 2018, the school district held certificates of deposit in the amount of $3,785,131. All certificates of deposit mature within one year.

Concentration of Credit Risk

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

Note 3 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated				
Construction in progress	$ 330,535	$ 1,840,920	$ -	$ 2,171,455
Capital assets, being depreciated				
Buildings	4,256,184	-	-	4,256,184
Equipment	5,705,750	363,125	(5,078)	6,063,797
Vehicles	3,210,415	252,250	-	3,462,665
Total capital assets, being depreciated	13,172,349	615,375	(5,078)	13,782,646
Less accumulated depreciation				
Buildings	1,182,697	87,324	-	1,270,021
Equipment	4,286,688	387,972	(5,078)	4,669,582
Vehicles	1,908,767	207,384	-	2,116,151
Total accumulated depreciation	7,378,152	682,680	(5,078)	8,055,754
Net capital assets	$ 6,124,732	$ 1,773,615	$ -	$ 7,898,347

The District has entered into a construction contract in the amount of approximately $7,348,000 of which $1,840,920 has been paid as of June 30, 2018.

Depreciation was charged to expense in the following governmental functions:

Instruction	$ 488,410
Support Services	63,619
Operations and maintenance	130,651
Total depreciation expense	$ 682,680

Note 4 - Long-Term Debt

Changes in long-term debt during the year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Certificates of indebtedness	$ -	$ 4,400,000	$ -	$ 4,400,000	$ 135,000
Unamortized bond premium	-	124,147	-	124,147	6,207
	$ -	$ 4,524,147	$ -	$ 4,524,147	$ 141,207

During the year ended June 30, 2018, the District issued $4,400,000 of Certificates of Indebtedness, Series 2017. The Agreement requires semi-annual payments of interest and annual principal payments, and an interest rate from 3.000% to 3.125%. Payments commenced February 2018 through August 2037. The Certificates were issued for the purpose of (i) constructing and equipping a school building for pre-school classrooms, a gymnasium/auditorium, and administrative offices, and (ii) to pay costs associated with the issuance of the Certificates.

Following is a summary of long term debt as of June 30, 2018:

Debt Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
Certificates of Indebtedness, Series 2017	2037	3.0-3.125%	$ 4,400,000	$ 4,400,000

Debt principal and interest payments are made by the general fund.

Remaining principal and interest payments on long-term debt are as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ 135,000	$ 109,856	$ 244,856
2020	170,000	128,663	298,663
2021	175,000	123,562	298,562
2022	180,000	118,313	298,313
2023	185,000	112,912	297,912
2024 - 2028	1,015,000	477,863	1,492,863
2029 - 2033	1,175,000	316,162	1,491,162
2034 - 2038	1,365,000	128,613	1,493,613
	$ 4,400,000	$ 1,515,944	$ 5,915,944

Note 5 - Interfund Transfers

Interfund transfers at June 30, 2018 were as follows:

	General Fund	Food Service Fund
Transfers In	$ -	$ 253,890
Transfers Out	(253,890)	-
	$ (253,890)	$ 253,890

The purpose of the transfers is to fund operations of the food service program.

Note 6 - Pension Plan

Plan Descriptions

The District participates in the following defined benefit pension plans:

North Dakota Teacher's Fund for Retirement (TFFR)

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.

North Dakota Public Employees' Retirement System (NDPERS)

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; and 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

TFFR

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no 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.

NDPERS

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly 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

TFFR

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.

NDPERS

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.

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

TFFR

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.

NDPERS

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.

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

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

Member and Employer Contributions

TFFR

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.

NDPERS

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.

Net Pension Liability

TFFR

At June 30, 2018, the Employer's proportionate share of the net pension liability was $18,276,454. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2017, the Employer's proportion was 1.24749 percent, which was a decrease of 0.03164 from its proportion measured as of June 30, 2016. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

NDPERS

At June 30, 2018, the Employer's proportionate share of the net pension liability was $8,255,430. The net pension liability was measured as of June 30, 2017, 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 NDPERS employers. At June 30, 2017, the Employer's proportion was 0.513612 percent, which was an increase of 0.005637 from its proportion measured as of June 30, 2016. The Employer's proportionate share of the net pension liability is not reported in financial statements shown under the modified cash basis of accounting.

Actuarial Assumptions

TFFR

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	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.

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%	6.70%
Global Fixed Income	23%	0.80%
Global Real Assets	18%	5.20%
Cash Equivalents	1%	0.00%

NDPERS

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.00% to 20.0% per annum including inflation
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	3.50% per annum

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table, sex-distinct, 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, sex-distinct, 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, 2016. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Discount Rate

TFFR

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 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.

NDPERS

The discount rate used to measure the total pension liability was 6.44 percent 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, and July 1, 2016, PERS actuarial valuation reports. 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 through 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent for TFFR and 6.44 percent for NDPERS, 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 or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (6.75% / 5.44%)	Discount Rate (7.75% / 6.44%)	1% Increase in Discount Rate (8.75% / 7.44%)
District's proportionate share of the TFFR net pension liability	$ 23,705,934	$ 18,276,454	$ 13,754,210
District's proportionate share of the NDPERS net pension liability	$ 11,206,999	$ 8,255,430	$ 5,799,848

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR and NDPERS financial reports. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

Note 7 - Other Postemployment Benefits

North Dakota Public Employees Retirement System

The following brief description of NDPERS is proved for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund (RHIC) is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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 and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to $5.00 for each of the employee’s, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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 long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

Inflation rate	2.50%
Investment rate of return	7.50%, net of investment expenses

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
District's proportionate share of the NDPERS net OPEB liability	$ 479,927	$ 383,366	$ 300,595

Note 8 - Risk Management

The Belcourt Public School District #7 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 for which the School District carries insurance through the following funds/pools established by the State:

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 over 2,000 State agencies and political subdivisions. The Belcourt Public School District #7 pays an annual premium to NDIRF for its general liability, auto, personal injury and property damage, errors and omissions, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to building 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 $4,800,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the School 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 School District participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in the past three fiscal years.

Note 9 - Operating Leases

On May 13, 2014 the District entered into a lease agreement with the Turtle Mountain Band of Chippewa Indians in Belcourt for the use of its facilities. The term of the lease runs from July 1, 2014 through June 30, 2018. For each year of the lease the District has agreed to make 11 monthly payments of $2,000 and 1 monthly payment of $3,000 for a total rent expense of $25,000 per year. No monthly payments were made in 2018 as there was a lump sum payment made in May 2017 to cover the lease for the 2017-2018 school year. The payment made in advance for 2018 rent was recorded as an expenditure by the School District in 2017 rather than as a prepaid expense due to the modified cash basis of accounting used by the School District.

Note 10 - Economic Dependency

Belcourt Public School District #7 receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the District's programs and therefore on its continued operations.

Supplementary Information
June 30, 2018

Belcourt Public School District #7

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
TFFR	6/30/2014	1.341873%	$ 14,060,450	$ 7,783,579	180.64%	66.60%
TFFR	6/30/2015	1.306982%	$ 17,093,432	$ 8,039,312	212.62%	62.10%
TFFR	6/30/2016	1.279130%	$ 18,740,008	$ 8,310,828	225.49%	59.20%
TFFR	6/30/2017	1.247490%	$ 18,276,454	$ 8,420,198	217.05%	63.20%
NDPERS	6/30/2014	0.573493%	$ 3,640,083	$ 4,830,977	75.35%	77.70%
NDPERS	6/30/2015	0.536150%	$ 3,645,728	$ 4,776,443	76.33%	77.15%
NDPERS	6/30/2016	0.507975%	$ 4,950,712	$ 5,119,186	96.71%	70.46%
NDPERS	6/30/2017	0.513612%	$ 8,255,430	$ 5,243,170	157.45%	61.98%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date.

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered - Employee Payroll (d)	Contributions as a Percentage of Covered - Employee Payroll (b/d)
TFFR	6/30/2015	$ 1,970,473	$ (1,970,473)	$ -	$ 7,094,693	27.77%
TFFR	6/30/2016	$ 2,036,153	$ (2,036,153)	$ -	$ 8,310,826	24.50%
TFFR	6/30/2017	$ 2,062,948	$ (2,062,948)	$ -	$ 8,420,199	24.50%
TFFR	6/30/2018	$ 2,107,468	$ (2,107,468)	$ -	$ 8,601,907	24.50%
NDPERS	6/30/2015	$ 738,703	$ (738,703)	$ -	$ 4,840,780	15.26%
NDPERS	6/30/2016	$ 757,624	$ (757,624)	$ -	$ 4,964,770	15.26%
NDPERS	6/30/2017	$ 795,259	$ (795,259)	$ -	$ 5,211,392	15.26%
NDPERS	6/30/2018	$ 796,789	$ (796,789)	$ -	$ 5,221,404	15.26%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the District's fiscal year-end.

Other Post Employment Benefits Plan	Measurement Date	Employer's Proportion (Percentage) of the Net OPEB Liability (Asset)	Employer's Proportionate Share (Amount) of the Net OPEB Liability (Asset) (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
NDRHICF	6/30/2017	0.484653%	$ 383,366	$ 5,243,170	7.31%	59.8%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the measurement date.

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered - Employee Payroll (d)	Contributions as a Percentage of Covered - Employee Payroll (b/d)
NDRHICF	6/30/2018	$ 60,948	$ (60,948)	$ -	$ 5,243,170	1.16%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Data presented is as of the District's fiscal year-end.

Notes to Supplementary Information
For the Year Ended June 30, 2018

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Changes of Assumptions

TFFR

Amounts reported in 2018 and later reflect the following actuarial assumptions based on the results of an actuarial experience study dated April 30, 2015.

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

NDPERS

Amounts reported in 2018 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.

Notes to the Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions

Changes of Assumptions

Amounts reported in 2018 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.

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Local sources	$ 68,000	$ 68,000	$ 88,391	$ 20,391
State sources	15,238,467	15,238,467	15,225,591	(12,876)
Federal sources	5,298,523	5,298,523	12,541,499	7,242,976
Other	6,000	6,000	23,379	17,379
Total revenues	20,610,990	20,610,990	27,878,860	7,267,870
Expenditures				
Instruction:				
Regular	4,096,025	4,319,371	4,012,118	307,253
Special education	1,278,308	1,346,078	1,120,280	225,798
Federal programs	11,271,285	11,492,216	8,925,816	2,566,400
Vocational education	860,462	845,789	781,409	64,380
Total instruction	17,506,080	18,003,454	14,839,623	3,163,831
Tuition	369,000	396,693	211,555	185,138
Support services				
Pupil services	1,104,093	1,149,358	848,037	301,321
Instructional staff services	1,485,428	1,420,595	913,506	507,089
General administration services	1,740,188	1,538,074	1,381,312	156,762
School administration services	802,035	826,345	798,329	28,016
Business services	662,039	667,501	613,545	53,956
Operations and maintenance	760,759	734,150	591,943	142,207
Student transportation	1,599,128	1,617,517	1,562,111	55,406
Extracurricular activities	922,111	1,507,477	1,458,099	49,378
Community services	188,277	196,536	185,903	10,633
Food service	229,693	234,884	195,362	39,522
Other support services	1,060,626	1,036,182	952,331	83,851
Debt Service				
Interest	-	43,500	90,463	(46,963)
Capital Outlay	1,281,607	8,241,597	2,456,295	5,785,302
Total support services	11,835,984	19,213,716	12,047,236	7,166,480
Total expenditures	29,711,064	37,613,863	27,098,414	10,515,449
Revenues Over (Under) Expenditures	(9,100,074)	(17,002,873)	780,446	17,783,319
Other financing sources (uses)				
Bond proceeds	-	-	4,400,000	4,400,000
Bond premium	-	-	124,147	124,147
Transfers out	(510,000)	(474,403)	(253,890)	220,513
Total other financing sources (uses)	(510,000)	(474,403)	4,270,257	4,744,660
Net Change in Fund Balance	$ (9,610,074)	$(17,477,276)	5,050,703	$ 22,527,979
Fund Balances, Beginning of Year			9,266,958	
Fund Balances, End of Year			$ 14,317,661	

Note 1 – Stewardship, Compliance and Accountability

Budgetary Information

The District adopts an annual budget on a basis consistent with a modified cash basis of accounting for the general fund and special revenue funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and school district taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by August 25.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

CPAs & BUSINESS ADVISORS

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*

Members of the School Board
Belcourt Public School District #7
Belcourt, North Dakota

We have audited, 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, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belcourt Public School District #7 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Belcourt Public School District #7's basic financial statements, and have issued our report thereon dated March 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Belcourt Public School District #7'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 Belcourt Public School District #7's internal control. Accordingly, we do not express an opinion on the effectiveness of Belcourt Public School District #7's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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 listed as 2018-A and 2018-B 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belcourt Public School District #7'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-C.

Belcourt Public School District #7’s Response to Finding

Belcourt Public School District #7’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Belcourt Public School District #7’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.

Eide Bailly LLP

Bismarck, North Dakota
March 22, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance

Members of the School Board
Belcourt Public School District #7
Belcourt, North Dakota

Report on Compliance for Each Major Federal Program
We have audited Belcourt Public School District #7'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 Belcourt Public School District #7's major federal programs for the year ended June 30, 2018. Belcourt Public School District #7'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 the compliance for each of Belcourt Public School District #7'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 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 Belcourt Public School District #7'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 Belcourt Public School District #7's compliance.

Opinion on Each Major Federal Program
In our opinion, Belcourt Public School District #7 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control over Compliance
Management of Belcourt Public School District #7 is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Belcourt Public School District #7's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 Belcourt Public School District #7'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Eide Bailly LLP

Bismarck, North Dakota
March 22, 2019

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Identifying Number	Expenditures
United States Department of Agriculture			
Passed through the State Department of Public Instruction			
Child Nutrition Cluster			
School Breakfast Program	10.553	1006	$ 294,802
National School Lunch Program	10.555	1006	809,263
Summer Food Service	10.559	1006	3,022
Total Child Nutrition Cluster			1,107,087
Fresh Fruit and Vegetable Program	10.582		53,620
Commodity assistance for schools (non-cash)	10.565	1006	88,594
Total United States Department of Agriculture			1,249,301
Department of Education			
Direct Programs			
Title IX - Indian Ed	84.060A		436,952
Title VII - Impact Aid	84.041		305,257
Rural Education Grant Cluster			
Passed through the State Department of Public Instruction	84.358B	1019	28,096
Passed through the Turtle Mountain Band of Chippewa Indians	84.358B	A12AV01572	6,660
Total Rural Education Grant Cluster			34,756
IDEA B/Preschool Grant Cluster			
Passed through the Turtle Mountain Band of Chippewa Indians	84.027	A12AV01572	1,913,494
Passed through the State Department of Public Instruction	84.027	1019	95,539
Total IDEA B/Preschool Grant Cluster			2,009,033
Title I Cluster			
Passed through the State Department of Public Instruction:			
Program Aid	84.010	1019	2,322,921
Passed through the Turtle Mountain Band of Chippewa Indians	84.010	A12AV01572	1,151,856
Total Title I Cluster			3,474,777
Title II Part A - Improving Teacher Quality State Grants			
Passed through the State Department of Public Instruction	84.367A	N/A	311,492

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Identifying Number	Expenditures
Carl Perkins			
Passed through ND Department of Career and Technical Education	84.048A	N/A	75,073
IDEA C/Special Education - Grants for Infants and Families			
Passed through the Turtle Mountain Band of Chippewa Indians	84.181	A12AV01572	420,001
Title II Part A - Teach Quality Partnership Grants			
Passed through the Turtle Mountain Band of Chippewa Indians	84.336	A12AV01572	42,489
Title IV Student Support & Academic Enrichment			
Passed through the State Department of Public Instruction	84.371C	N/A	54,962
Title IV - 21st Century			
Passed through North Central Education Cooperative	84.287	N/A	97,672
Total Department of Education			7,262,464
Department of Interior			
Passed through the Turtle Mountain Band of Chippewa Indians			
Indian School Equalization Program	15.042	A12AV01572	4,158,967
Administrative Cost Grants for Indian Schools	15.046	A12AV01572	630,563
FOCUS on Student Achievement	15.149	A12AV01572	3,000
Education Program Enhancements	15.151	A12AV01572	162,043
Total Department of Interior			4,954,573
Total Expenditures of Federal Awards			$ 13,466,338

N/A – Pass-through identifying number not available.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The District received federal awards both directly and indirectly through pass-through entities. The District has not provided any federal financial assistance to subrecipients.

Note B – Significant Accounting Policies

Governmental fund types account for the District's federal grant activity. The District's summary of significant accounting policies is presented in Note 1 in the District's basic financial statements.

The District does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Note C – Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District had no food commodities in inventory.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted	Yes

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

Name of Federal Program	CFDA number
Title 1 Cluster	84.010
Indian School Equalization Program	15.042

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings

2018-A **Preparation of Financial Statements**
Material Weakness

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements.

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: The District's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect: Inadequate internal controls over financial reporting of the District result in a reasonable possibility that the District would not be able to prepare the financial statements and accompanying notes to the financial statements.

Recommendation: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Views of Responsible Officials: Management agrees with the finding. Due to the small size of the District, it is not cost effective for the District to properly address this deficiency.

2018-B **Material Journal Entries**
Material Weakness

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition: We identified misstatements in the District's financial statements causing us to propose material audit adjustments.

Cause: The District has not trained staff in the recording of certain transactions.

Effect: Inadequate internal controls over recording of transactions affect the District's ability to detect misstatements that could be material in relation to the financial statements.

Recommendation: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of the condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District.

Views of Responsible Officials: Management agrees with the finding. Due to the small size of the District, it is not cost effective for the District to properly address this deficiency.

State Compliance Item

2018-C Uncashed Checks

Criteria: The District has failed to remit uncashed checks greater than two years from the date of issuance to the administrator of the state treasury.

Condition: According to North Dakota Century Code 47-30.1-02.1(1) any checks held, issued or owing in the ordinary course of business which remain uncashed by the owner for more than two years after becoming payable are presumed abandoned. These uncashed checks should be remitted to the administrator of the state treasury.

Cause: The District has not fully implemented the policy of remitting uncashed checks greater than two years outstanding from the issuance date.

Effect: The District is not in compliance with North Dakota Century Code 47-30.1-02.1(1), stating that any checks held, issued, or owing in the ordinary course of business which remain uncashed by the owner for more than two years after becoming payable are abandoned and should be remitted to the administrator of the state treasury.

Recommendation: The District should continually be aware of the North Dakota Century Code requirements.

Views of Responsible Officials: Management agrees with the finding. Management will focus on remitting uncashed checks greater than two years outstanding from their issuance date to the administrator of the state treasury.

Section III – Federal Award Findings and Questioned Costs

There are no federal award findings reported in the current year.