FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2018

Ketel Thorstenson, LLP
Certified Public Accountants/Business & Personal Consultants

810 Quincy Street • Rapid City, SD 57701 • www.ktllp.com

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

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Certified Public Accountants/Business & Personal Consultants

810 Quincy Street
P.O. Box 3140, Rapid City, South Dakota 57709
Telephone (605) 342-5630 • e-mail: ktllp@ktllp.com

INDEPENDENT AUDITOR'S REPORT

School Board
Fort Yates Public School District No. 4
Fort Yates, North Dakota

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities and each major fund of **Fort Yates Public School District No. 4** (the District), Fort Yates, North Dakota, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities and each major fund.

Basis for Disclaimer of Opinions
During the year, there were numerous instances of missing documentation as it related to revenue, expenditures, capital assets and related depreciation, and other balance sheet accounts. We were unable to verify numerous account balances and activity during the year due to this missing documentation. We were unable to obtain sufficient appropriate audit evidence about the basic financial statements by other auditing procedures.

Disclaimer of Opinions
Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the basic financial statements of **Fort Yates Public School District No. 4** as of and for the year ended June 30, 2018. Accordingly, we do not express an opinion on the basic financial statements as of and for the year ended June 30, 2018.

Report on Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison schedules, and the schedule of the District's share of net pension liability and the District's contributions, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Report on Supplementary Information

We were engaged to audit the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 24-25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Because of the matters described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the schedule of expenditures of federal awards.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ketel Thorstenson, LLP

KETEL THORSTENSON, LLP
Certified Public Accountants

January 31, 2020

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS		
Cash	$	808,376
Due from Other Governments (Note 3)		896,248
Inventory		3,892
Prepaid Expenses		10,463
Capital Assets (Note 4):		
Land		16,800
Buildings and Equipment, Net of Depreciation		6,317,228
TOTAL ASSETS	**$**	**8,053,007**
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows of Resources (Note 7)	**$**	**346,647**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$**	**8,399,654**
LIABILITIES		
Accounts Payable	$	20,287
Accrued Expenses		226,797
Net Pension Liability (Note 7)		2,693,593
Long-Term Liabilities (Note 5):		
Due within One Year		407,844
Due in More than One Year		2,657,062
TOTAL LIABILITIES		6,005,583
NET POSITION		
Net Investment in Capital Assets		3,269,122
Restricted for:		
Title I Grants to Local Educational Agencies		12,764
Title II, Part A - Teacher Quality Partnership Grants		4,783
Carl Perkins Grant		41,083
Unrestricted		(933,681)
TOTAL NET POSITION		2,394,071
TOTAL LIABILITIES AND NET POSITION	**$**	**8,399,654**

The accompanying notes are an integral part of this statement.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Regular Programs	$ 1,662,750	$ 62,696	$ -	$ (1,600,054)
Federal Programs	736,594	-	768,286	31,692
Special Education	403,987	-	18,390	(385,597)
District Wide Services	145,774	-	-	(145,774)
Administration	437,496	-	-	(437,496)
Operations and Maintenance	425,514	-	-	(425,514)
Transportation	10,425	-	3,695	(6,730)
Student Activities	22,284	-	-	(22,284)
Food Service	335,887	-	(995)	(336,882)
Interest on Long-Term Debt *	110,373	-	-	(110,373)
Unallocated Depreciation	315,194	-	-	(315,194)
Total Governmental Activities	4,606,278	62,696	789,376	(3,754,206)
General Revenues				
Property Taxes				84,270
Rental Income				103,948
Revenue from Federal Sources				1,872,563
Revenue from State Sources				1,886,214
Interest				276
Miscellaneous Revenue				49,070
Total General Revenues				3,996,341
Change in Net Position				**242,135**
Net Position - Beginning				2,151,936
Net Position -- Ending				**$ 2,394,071**

* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The accompanying notes are an integral part of this statement.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2018

	General Fund	Total Governmental Funds
ASSETS		
Cash	$ 808,376	**$ 808,376**
Due from Other Governments (Note 3)	896,248	**896,248**
Inventory	3,892	**3,892**
Prepaid Expenses	10,463	**10,463**
Total Assets	**$ 1,718,979**	**$ 1,718,979**
LIABILITIES		
Accounts Payable	$ 20,287	**$ 20,287**
Accrued Expenditures	197,630	**197,630**
Total Liabilities	**217,917**	**217,917**
FUND BALANCES		
Nonspendable:		
Inventory	3,892	**3,892**
Prepaid Expenses	10,463	**10,463**
Restricted:		
Title I Grants to Local Educational Agencies	12,764	**12,764**
Title VII Indian Education Grant	4,783	**4,783**
Carl Perkins Grant	41,083	**41,083**
Unassigned	1,428,077	**1,428,077**
Total Fund Balances	**1,501,062**	**1,501,062**
Total Liabilities and Fund Balances	**$ 1,718,979**	**$ 1,718,979**

The accompanying notes are an integral part of this statement.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balances - Governmental Funds	$	1,501,062
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		6,334,028
Net pension liability reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		(2,693,593)
Pension related deferred outflows are components of pension liability and therefore are not reported in the funds.		346,647
Accrued Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(29,167)
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the Statement of Net Position. Balances at June 30, 2018 are:		
Refunded Certificates of Indebtedness		(3,064,906)
Net Position - Governmental Funds	**$**	**2,394,071**

The accompanying notes are an integral part of this statement.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Total Governmental Funds
Revenues:		
Revenue from Local Sources:		
District Property Taxes	$ 84,270	**$ 84,270**
Earnings on Investments and Deposits	276	**276**
Rental Income	103,948	**103,948**
Other Revenue from Local Sources	3,232	**3,232**
Revenue from State Sources:		
Unrestricted State Revenue	1,888,904	**1,888,904**
Other Restricted State Revenues	10	**10**
Revenue from Federal Sources:		
Unrestricted Grants-in-Aid Received from Federal Government Through State	1,872,563	**1,872,563**
Restricted Grants-in-Aid Direct from Federal Government	48,688	**48,688**
Restricted Grants-in-Aid Direct from Federal Government Through the State	800,684	**800,684**
Other Revenue	45,838	**45,838**
Total Revenues	**4,848,413**	**4,848,413**
Expenditures:		
Regular Programs	1,345,275	**1,345,275**
Federal Programs	736,594	**736,594**
Special Education	403,987	**403,987**
District Wide Services	145,774	**145,774**
Administration	437,496	**437,496**
Operations and Maintenance	425,514	**425,514**
Transportation	10,425	**10,425**
Student Activities	22,284	**22,284**
Food Service	335,887	**335,887**
Debt Service (Note 5)	514,800	**514,800**
Total Expenditures	**4,378,036**	**4,378,036**
Net Change in Fund Balance	**470,377**	**470,377**
Fund Balances -- Beginning	1,030,685	**1,030,685**
Fund Balances -- Ending	**$ 1,501,062**	**$ 1,501,062**

The accompanying notes are an integral part of this statement.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds	$	470,377
Amounts reported for governmental activities in the Statement of Activities are 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.		(315,194)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		397,844
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds. The amount represents the change in accrued interest duringthe current period.		6,583
Pension expenses in the Statement of Activities do not provide current financial resources and are not reported as expenses in the funds, and changes in pension related deferred outflows are direct componets of pension liability and are not reflected in the governmental funds.		(317,475)
Change in Net Position of Governmental Activities	**$**	**242,135**

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(1) Summary of Significant Accounting Policies

Reporting Entity

The reporting entity of the District consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal 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.

Basis of Presentation

Government-Wide Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Position reports all financial and capital resources in a balance sheet form (assets equal liabilities plus 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 presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental funds.

A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year-to-year, or because of public interest in the fund's operations.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued):

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund **–** This is the District's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is always a major fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term 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.

Measurement Focus and Basis of Accounting:

Government-wide Financial Statements:

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned, and expenses and related liabilities are recorded when an obligation is incurred.

Fund Financial Statements:

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues, including property taxes and grants, generally are recognized when they become measurable and available. Available means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days.

Under the modified accrual basis of accounting, receivables may be measurable but not available.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

Deposits

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. As of June 30, 2018, the District's cash consisted of checking accounts. Various restrictions on deposits and investments are imposed by North Dakota statutes. These restrictions are summarized below:

Deposits and Investments – District funds may be invested only in (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; or (d) obligations of the state.

In accordance with North Dakota Statutes, the District maintains deposits at the deposit 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.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future change in interest rates. The District's deposits consist of checking accounts; therefore no interest rate risk exists for the District at June 30, 2018.

Credit Risk and Custodial Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This risk is commonly expressed in terms of the credit quality rating issued by the Nationally Recognized Statistical Rating Organization (NRSO). Custodial credit risk is the risk that, in the event of depository failure, the District's deposits may not be returned. As of June 30, 2018, all bank balances were entirely insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by securities held by the pledging financial institution.

Capital Assets

Capital assets include buildings, furniture and equipment, and vehicles, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Government-wide Statements:

The District does not have subsidiary records to support its governmental capital asset balance. In addition, capital asset additions and deletions have not been consistently or accurately recorded during prior years.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental sources are reported as liabilities in the government-wide statements. The long-term liabilities consist of refunding certificates of indebtedness.

In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

Funding for refunding certificates of indebtedness is expended in the general fund.

Equity Classifications

Government-wide Statements:

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

1. 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.
2. 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.
3. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

It is the 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 are available.

Fund Financial Statements:

The 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.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(1) Summary of Significant Accounting Policies (Concluded)

Equity Classifications (Continued)

Fund Financial Statements (Continued):

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 (School Board) and does not lapse at year-end. The District does not have any committed fund balance at June 30, 2018.

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. The District does not have any assigned fund balance at June 30, 2018.

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 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 District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

Program Revenues

In the government-wide Statement of Activities, reported program revenues are derived 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. The District received no capital grants and contributions for the year ended June 30, 2018.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported, but the information is disclosed in Note 7.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(2) Property Taxes

Property taxes are levied on or before August 15. The taxes levied must be certified to the county auditor by August 25. The governing body of the School District may amend its tax levy for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. Property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments on or before the following March 1 and October 15. The county bills and collects the District's taxes and remits them to the District.

(3) Due from Governments

Due from governments represents grants and grant reimbursements due from state and federal governments.

(4) Changes in Capital Assets

Changes in capital assets used in governmental activities were as follows during the year ended June 30, 2018:

Governmental Activities	Balance June 30, 2017	Additions	Retirements	**Balance June 30, 2018**
Land	$ 16,800	$ -	$ -	**$ 16,800**
Capital Assets, being Depreciated				
Buildings	13,558,169	-	-	**13,558,169**
Furniture and Equipment	37,258	-	-	**37,258**
Vehicles	-	-	-	**-**
Total Capital Assets, being Depreciated	13,595,427	-	-	**13,595,427**
Less Accumulated Depreciation				
Buildings	6,956,795	309,871	-	**7,266,666**
Furniture and Equipment	6,210	5,323	-	**11,533**
Vehicles	-	-	-	**-**
Total Accumulated Depreciation	6,963,005	315,194	-	**7,278,199**
Total Governmental Capital Assets, being Depreciated, Net	6,632,422	(315,194)	-	**6,317,228**
Governmental Activities Capital Assets	$ 6,649,222	$ (315,194)	$ -	**$ 6,334,028**

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(5) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2018:

Governmental Activities	Balance June 30, 2017	Additions	Retirements	**Balance June 30, 2018**	Due Within One Year
Refunding Certificate of Indebtedness	$ 3,400,000	$ -	$ (390,000)	**$ 3,010,000**	$ 400,000
Unamortized Premium	62,750	-	(7,844)	**54,906**	7,844
Governmental Activities Long-Term Liabilities	$ 3,462,750	$ -	$ (397,844)	**$ 3,064,906**	$ 407,844

Long-term liabilities is comprised of the following at June 30, 2018:

Refunding Certificates of Indebtedness Series 2015, requiring variable annual payments; variable interest at 2.0 to 3.0 percent, through August 2024; paid from the General Fund	$ 3,010,000
	$ 3,010,000

The annual requirements to amortize all debt outstanding as of June 30, 2018, are as follows:

Year Ending June 30	Certificates of Indebtedness Principal	Certificates of Indebtedness Interest
2019	400,000	74,000
2020	410,000	65,900
2021	420,000	57,600
2022	425,000	47,025
2023	435,000	34,125
2024-2025	920,000	27,900
	$ 3,010,000	$ 306,550

At June 30, 2018, the District was not in compliance with the provisions of the Refunding Certificates of Indebtedness Series 2015 that requires assets to be accumulated in a restricted account for the payment of future debt service. The covenants requires all District Impact Aid receivables to be paid directly to the escrow agent. As of June 30, 2018, the District did not have the paperwork finalized for Impact Aid funding to be directly sent to the escrow agent, therefore the covenant was not being met.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(6) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays a commercial carrier for health insurance coverage. Unemployment claims are paid by the District as such are filed.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,500 political subdivisions. The District pays an annual premium to NDIRF for its general liability, automobile and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence for general liability and automobile and $3,060 for inland marine coverage.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has workers compensation with the North Dakota Workforce Safety and Insurance (WSI). WSI is a state insurance fund and a “no fault” insurance system, covering employers and employees. WSI is financed by premiums assessed to employers. The premiums are primarily for the payment of claims to employees injured in the course of employment.

(7) Pension Plan

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.

<u>Benefits Provided:</u>
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 percent 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.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(7) Pension Plan (Continued)

Tier 1 Grandfathered (Continued)

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 percent times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100 percent or 50 percent 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 percent 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 percent times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100 percent or 50 percent 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 percent 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 percent times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100 percent or 50 percent joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

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

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

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(7) Pension Plan (Continued)

Member and Employer Contributions
Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75 percent 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 percent of the teacher's salary. Member and employer contributions will be reduced to 7.75 percent each when the fund reaches 100 percent funded ratio on an actuarial basis.

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

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

Proportionate Share of Net Position Restricted for Pension Benefits	$	7,322,703
Less: Proportionate Share of Total Pension Liability		4,629,110
Proportionate Share of Net Pension Liability	**$**	**2,693,593**

At June 30, 2018, the District's liability was **$2,693,593** for its proportionate share of the net pension liability. 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 0.1961079 percent, which was an increase of .0182195 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of **$257,927**. At June 30, 2018, the District's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources was:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between Expected and Actual Experience	$	-	$	19,073
Changes in Assumption		191,989		-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		37,206		-
District Contributions Subsequent to the Measurement Date		136,525		-
Total	**$**	**365,720**	**$**	**19,073**

Deferred outflows of resources of **$136,525** related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

(7) Pension Plan (Continued)

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

2019	$	45,129
2020		103,488
2021		66,949
2022		2,847
2023		(5,279)
Thereafter		(3,012)
	$	**210,122**

Actuarial Assumptions:
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	2.75 percent
Salary Increases	4.25 percent to 14.50 percent varying by service, including inflation and productivity
Investment Rate of Return	7.75 percent, 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 percent for ages under 75 and grading up to 100 percent 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	58.0%	6.7%
Global Fixed Income	23.0%	0.8%
Global Real Assets	18.0%	5.2%
Cash Equivalents	1.0%	0.0%

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2018

(7) Pension Plan (Concluded)

Discount Rate
The discount rate used to measure the total pension liability was 7.75 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, 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.

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	$ 3,581,180	$ 2,693,593	$ 1,954,704

Pension Plan Fiduciary Net Position:
Detailed information about the pension plan's fiduciary net position is available in the separately issued NDTFFR financial report. NDTFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

SUPPLEMENTARY INFORMATION

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	PASS-THROUGH NUMBER	CFDA NUMBER	FEDERAL EXPENDITURES
U.S. Department of Education:			
Pass-Through Funding -- North Dakota Department of Public Instruction:			
Title I Grants to Local Educational Agencies	F84010	84.010	**524,461**
Title II, Part A Improving Teacher Quality Grant	F84367	84.367A	**118,281**
Career and Technical Educations Grants (Carl Perkins)	Not Available	84.101	**46,657**
Direct Funding:			
Impact Aid	Not Applicable	84.041	**1,407,644**
Indian Education Grants to Local Education Agencies	Not Applicable	84.060A	**43,905**
Total U.S. Department of Education			**2,140,948**
U.S. Department of Agriculture:			
Pass-Through Funding -- State of North Dakota:			
Child Nutrition Cluster (Note 2):			
National School Breakfast Program	F10553	10.553	**24,559**
National School Lunch Program	F10555	10.555	**77,055**
			101,614
Fruits and Vegetables	F10582	10.582	**8,997**
Total U.S. Department of Agriculture			**110,611**
Total Federal Awards			**$ 2,251,559**

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(1) Basis of Accounting

The District follows the modified accrual basis of accounting in the preparation of the Schedule of Expenditures of Federal Awards.

(2) Federal Reimbursements

These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

(3) De Minimis

The District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OTHER REPORTS

Ketel Thorstenson, LLP
Certified Public Accountants/Business & Personal Consultants

810 Quincy Street
P.O. Box 3140, Rapid City, South Dakota 57709
Telephone (605) 342-5630 • e-mail: ktllp@ktllp.com

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*

School Board
Fort Yates Public School District No. 4
Fort Yates, North Dakota

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of **Fort Yates Public School District No. 4** (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 31, 2020. Our report disclaims an opinion on such financial statements because of missing substantiating documentation.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the District, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as 2018-001 to 2018-008 that we consider to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the District, 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 instances 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 as 2018-004 and 2018-005.

District's Response to Findings
The District's response to the findings identified in our engagement is described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the engagement of the financial statements and, accordingly, we express no opinion on the response.

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

Ketel Thorstenson, LLP
KETEL THORSTENSON, LLP
Certified Public Accountants

January 31, 2020

Ketel Thorstenson, LLP
Certified Public Accountants/Business & Personal Consultants

810 Quincy Street
P.O. Box 3140, Rapid City, South Dakota 57709
Telephone (605) 342-5630 • e-mail: ktllp@ktllp.com

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

School Board
Fort Yates Public School District No. 4
Fort Yates, North Dakota

Report on Compliance for Each Major Federal Program

We were engaged to audit the compliance of **Fort Yates Public School District No. 4** (the District) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. Because of the matters described in the Basis of Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on compliance for each major federal program.

Basis for Disclaimer of Opinions
As described in the accompanying Schedule of Findings, we were unable to obtain sufficient documentation supporting the compliance of the District with the following compliance requirements, nor were we able to satisfy ourselves as to the District's compliance with the following requirements by other auditing procedures:

Finding #	CFDA#	Program Name	Compliance Requirement
2018-008		All major programs as noted in Part A, #7	Allowable Costs/Cost Principles

Disclaimer of Opinions
Because we were unable to satisfy ourselves concerning compliance requirements noted above for all major federal programs listed in Part A #7, as explained in the Basis for Disclaimer of Opinions paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the School's compliance with these major federal programs.

Other Matters
The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings as items #2018-007, 2018-009 and 2018-010.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings as #2018-001, 2018-002, 2018-003, 2018-006, 2018-007, 2018-008, 2018-009 and 2018-010 that we consider to be material weaknesses.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

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.

Ketel Thorstenson, LLP

KETEL THORSTENSON, LLP
Certified Public Accountants

January 31, 2020

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS
JUNE 30, 2018

A. Summary of Audit Results

1. The Independent Auditor's Report expresses disclaimer of opinions on the financial statements of Fort Yates Public School District No. 4 (the District).

2. Material weaknesses disclosed during the audit of the financial statements are reported in the 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*.

3. Instances of noncompliance material to the financial statements of the District were disclosed during the audit.

4. Material weaknesses disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for the District expresses a disclaimer of opinion on all major programs, as listed in #7.

6. Audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.

7. The programs we were engaged to test as major programs include the following:

Major Program	**CFDA #'s**
U.S. Department of Education:	
Impact Aid	84.041

8. The threshold for distinguishing Type A and Type B programs was $750,000.

9. The District was not determined to be a low-risk auditee.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS (CONTINUED)
JUNE 30, 2018

B. Findings – Financial Statement Audit

Material Weaknesses

2018-001 FINDING: Segregation of Duties

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting

Questioned Costs: None

Condition and Cause: The District has not segregated all accounting duties (to include duties specifically related to compliance requirements of federal funding) to ensure that no one person is involved in more than one of the accounting and reporting processes of authorization, execution, custody, and recording for any given transaction. The District has limited oversight over accounting or compliance with funding sources. The District has limited staff available to fully segregate all duties. No written policies exist for data security, internet and mobile device use, or contingency plan. Backups are not performed on the accounting data.

Criteria and Effect: All good systems of internal accounting control include adequate segregation of duties so no one individual handles a transaction from its inception to its completion. Employees whose responsibilities encompass two or more phases of a transaction increase the risk of undetected errors, omissions, or misappropriation of assets of the District. Adequate oversight should be included in the internal control processes. Information technology policies and controls help safeguard the District from electronic threats, and backups provide the District with the ability to maintain records in the event of a disaster. A lack of information technology policies and backups could cause the District to lose data.

Repeat Finding from Prior Year: Yes, prior year finding 2017-001

Recommendation: We recommend the District evaluate the internal controls in the accounting and reporting process to determine if additional segregation of duties is feasible or if additional mitigating controls can be implemented, including oversight by management or the board. We also recommend the District prepare and communicate policies for data security, internet and mobile device use, and a contingency plan. A backup policy should also be prepared and implemented to ensure accounting data is maintained.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2018-002 FINDING: Preparation of Financial Statements and Schedule of Federal Expenditures (SEFA)

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Reporting

Questioned Costs: None

Condition and Cause: We were requested to draft the audited financial statements and the SEFA, and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do with organizations of the District's size.

Criteria and Effect: It is our responsibility to inform the School Board that this deficiency could result in a material misstatement to the financial statements that would have not been prevented or detected by the District's management.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS (CONTINUED)
JUNE 30, 2018

B. Findings – Financial Statement Audit (Continued)

Material Weaknesses (Continued)

2018-002 FINDING: Preparation of Financial Statements and SEFA (Continued)

Repeat Finding from Prior Year: Yes, prior year finding 2017-002

Recommendation: We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District's financial statements. We are satisfied that the appropriate steps have been taken to provide the District with the completed financial statements. It is the responsibility of management and the School Board to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2018-003 FINDING: Adjusting Journal Entries/Account Reconciliation

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Questioned Costs: None

Condition and Cause: We identified misstatements in the District's financial statements causing us to propose material audit adjustments. The District did not reconcile accounts to subsidiary schedules or complete year-end adjustments to provide audit ready financial data. We also noted numerous outstanding bank reconciliation items that were over six months old, as well as deposits in transit totaling approximately ($155,000) dated prior to July 1, 2017.

Criteria and Effect: A good system of internal accounting control includes proper reconciliation of all general ledger accounts and adjustment of those accounts to the proper balances. Inadequate internal controls over recording of transactions affect the District's ability to detect misstatements in amounts that could be material in relation to the financial statements. In addition, the District's audit report for governmental activities and governmental funds expresses a disclaimer of opinion.

Repeat Finding from Prior Year: Yes, prior year finding 2017-003

Recommendation: We recommend the District reconcile all general ledger accounts and adjust the accounts to the proper balances in a timely manner. We also recommend all outstanding items on bank reconciliations that are over six months old be investigated and reissued or voided.

Response/Corrective Action Plan: Management is in agreement with the finding. See attached Corrective Action Plan.

2018-004 FINDING: Debt Covenant Noncompliance

Federal Programs Affected: None

Compliance Requirement: None

Questioned Costs: None

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS (CONTINUED)
JUNE 30, 2018

B. Findings – Financial Statement Audit (Continued)

Material Weaknesses (Continued)

<u>2018-004 FINDING: Debt Covenant Noncompliance (Continued)</u>

Condition and Cause: The District has not complied with debt covenants related to establishing an escrow account equal to Impact Aid receipts for the school year. The escrow account was not utilized during the current year, therefore no funds were escrowed during the year. The District is also not complying with its continuing disclosure requirements by submitting annual reports timely. The Business Office indicated the cause of this is a lack of finalization of paperwork related to the escrow deposits and due to turnover in key staff.

Criteria and Effect: As part of the District's debt agreement, the District is required to comply with debt covenants as detailed in the agreement. Failure to comply could also result in penalties to the District or additional costs incurred to become compliant.

Repeat Finding from Prior Year: Yes, prior year finding 2017-004

Recommendation: We recommend the District finalize escrow information to submit necessary Impact Aid receipts directly to the escrow account. We also recommend the District submit all past-due information and establish procedures to submit the necessary annual reports timely.

Response/Corrective Action Plan: Management is in agreement with the finding. See attached Corrective Action Plan.

<u>2018-005 FINDING: Retirement Plan Noncompliance</u>

Federal Programs Affected: None

Compliance Requirement: None

Questioned Costs: None

Condition and Cause: It was noted during a compliance audit performed by Teacher's Fund for Retirement (TFFR) the District was not in compliance due to reporting issues relating to failing to report eligible employees, reporting employees in wrong fiscal years, failure to report corrections, reporting ineligible expenses for employees, and undetermined errors for numerous employees. The end result was a contribution payable but the District had over contributed to the plan and therefore was not required to make a payment based on the audit findings.

Criteria and Effect: The District is required to properly account for all changes in employees as it relates to the retirement plan and properly submit all payments of the employee and employer matches to the retirement plan per NDCC 15-39.1-04(10). Not properly accounting for employees may lead to additional noncompliance.

Repeat Finding from Prior Year: Yes, prior year finding 2017-005

Recommendation: We recommend the District implement controls to review all retirement contributions and eligibility of employees on a regular basis and also review all employee information entered into the payroll system to determine it is accurate.

Response/Corrective Action Plan: Management is in agreement with the finding. See attached Corrective Action Plan.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS (CONTINUED)
JUNE 30, 2018

B. Findings – Financial Statement Audit (Continued)

Material Weaknesses (Continued)

2018-006 FINDING: Capital Asset Records

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Real Property and Equipment Management

Questioned Costs: None

Condition and Cause: Capital asset records were not properly maintained to support the amounts reported for governmental activities capital assets, resulting in a lack of controls over public assets and inaccurate financial statements.

Criteria and Effect: Accounting principles generally accepted in the United States of America require that capital assets be recorded as assets and depreciated. These conditions result in unreliable data being reported for capital assets for governmental activities and lack of safeguards for these assets. In addition, the District's audit report for governmental activities expresses a disclaimer of opinion.

Repeat Finding from Prior Year: Yes, prior year finding 2017-006

Recommendation: We recommend the District establish and maintain adequate capital assets accounting records. The records should be reviewed at least annually to determine additions and retirements and any potential impairments.

Response/Corrective Action Plan: Management is in agreement with the finding. See attached Corrective Action Plan.

2018-007 FINDING: Testing Errors

Federal Programs Affected: Nonmajor program – Title I Grants to Local Education Agencies (CFDA #84.010)

Compliance Requirement: Allowable Costs/Cost Principles, Activities Allowed or Unallowed

Questioned Costs: We identified $118 of questioned costs related to non-payroll disbursements out of a sample of $1,166 for Title I Grants to Local Education Agencies (CFDA #84.010). We identified $3,370 of questioned costs related to payroll disbursements out of a sample of $9,143 for Title I Grants to Local Education Agencies (CFDA #84.010). We noted errors or lack of documentation totaling $21,850 out of a sample of $54,746 for non-payroll disbursements and errors of $22,057 out of a sample of $51,885 for payroll disbursements. However, the District does not track the expenditures charged to Impact Aid versus other funding sources, such as state aid. Therefore, we do not specifically identify any of the errors noted in the preceding sentence to a Federal program.

Condition and Cause: We noted the following errors during our sample testing of 40 payroll transactions and 20 non-payroll disbursement transactions. Errors noted were due to lack of supporting documentation and turnover in business office:

a. Adequate documentation was missing for 13 non-payroll disbursements.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS (CONTINUED)
JUNE 30, 2018

B. Findings – Financial Statement Audit (Continued)

Material Weaknesses (Continued)

2018-007 FINDING: Testing Errors (Continued)

Condition and Cause (Continued):

b. Substantiating documentation (invoices or timesheets) was missing for 5 non-payroll and 2 payroll disbursements.
c. An employee contract was missing for 6 payroll disbursements.
d. An approved pay rate could not be provided for 15 employees.
e. Gross pay to 9 employees could not be recalculated with provided contract, approved pay rate, time card, or other supporting documentation.
f. The District is not tracking accrued leave and no balance is recorded at June 30, 2018.
g. The District does not have voided check copies

Criteria and Effect: Uniform Guidance requires expenditures to follow the allowable costs as outlined in the grant agreements and also requires adequate documentation of all federal disbursements. For non-federal disbursements, accounting standards require substantiating documentation to be maintained to support the business reasonableness of all expenditures. Lack of adequate documentation could result in questioned costs or misappropriation of District funds. The lack of documentation resulted in a disclaimer of opinion on the financial statements and federal compliance.

Repeat Finding from Prior Year: Yes, prior year finding 2017-007

Recommendation: Control processes regarding recordkeeping and maintenance of substantiating documentation should be maintained and reviewed to ensure documentation is being kept as evidence of the propriety of the expenditure. Review of expenditures should be documented on the expenditure documentation. The District should track accrued leave and record such balance accordingly.

Response/Corrective Action Plan: Management is in agreement with the finding. See attached Corrective Action Plan.

2018-008 FINDING: Joint Powers Agreement

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Questioned Costs: None

Condition and Cause: The District operates a middle school under a Joint Powers Agreement entered into with the Standing Rock Community Grant School (the School). The Joint Powers Agreement does not specifically address the allocation of expenditures between the School and the District. At the point of establishing the Joint Powers Agreement in 2003, the number of District students versus School students was determined to be 19 percent to 81 percent; and therefore, some costs are being allocated in accordance with this ratio. In addition, in claiming students for funding purposes, the District counts 19 percent for state aid funding and the School counts 81 percent for federal funding. The District currently pays for all of certain expenditures, 19 percent of other expenditures, and none of others. Although it appears that the District's portion of total expenditures serves eligible students, regardless of how the expenditures are allocated between the two schools, we were unable to determine the reasonableness of the cost allocations. In addition, the ratio of students between the schools is not updated annually.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS (CONTINUED)
JUNE 30, 2018

B. Findings – Financial Statement Audit (Concluded)

Material Weaknesses (Concluded)

2018-008 FINDING: Joint Powers Agreement (Continued)

Criteria and Effect: The cost allocations to state and federal programs should be adequately documented. Unsubstantiated cost allocation plans could result in misappropriation of District assets and/or questioned costs.

Repeat Finding from Prior Year: Yes, prior year finding 2017-008

Recommendation: The District should count students only in the middle school and cover expenditures of educating such students.

Response/Corrective Action Plan: Management is in agreement with the finding. See attached Corrective Action Plan.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Findings listed in Part B related to major federal programs of the District as noted in the finding.

Material Weaknesses

2018-009 FINDING: Audit Package Late Filing

Federal Programs Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirements: Reporting

Questioned Costs: None

Condition and Cause: The annual report filing to the federal clearinghouse, including the data collection form, will be filed late.

Criteria and Effect: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requires the City, if it expends more than $750,000 of federal funds, to submit the audit reporting package and data collection form to the federal audit clearinghouse within nine months after year-end. The District was not in compliance with such requirements, which could lead to a reduction in future funding from granting agencies.

Recommendation: The District should ensure accuracy of year-end financial information to ensure timely submission of reports.

Repeat Finding from Prior Year: Yes, prior year finding 2017-009

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

FORT YATES PUBLIC SCHOOL DISTRICT NO. 4

SCHEDULE OF FINDINGS (CONCLUDED)
JUNE 30, 2018

C. Findings and Questioned Costs – Major Federal Award Programs Audit (Continued)

Material Weaknesses (Continued)

2018-010 FINDING: Lack of Impact Aid Documentation and Written Uniform Guidance Policies

Federal Program Affected: All major federal programs as listed in #7 in section A – Summary of Audit Results

Compliance Requirement: Allowable Costs/Cost Principles and Cash Management

Questioned Costs: None

Condition and Cause: The District does not have written policies for allowable costs/cost principles and cash management. They also do not have supporting records of student counts.

Criteria and Effect: Uniform Guidance specifically requires entities to maintain written policies for allowable costs/cost principles and cash management. The District should also have supporting records of student counts readily available. Not properly maintaining such policies and documentation leads to noncompliance and potential unallowable costs.

Repeat Finding from Prior Year: No

Recommendation: The District should create written policies for allowable costs/cost principles and cash management and maintain adequate documentation for Impact Aid.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

MANAGEMENT RESPONSE

Fort Yates PUBLIC SCHOOL | DISTRICT NO. 4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

Fort Yates Public School District No. 4 respectfully submits the following summary schedule of prior audit findings from the June 30, 2017 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2017 Schedule of Findings.

Finding No. 2017-001: Lack of Segregation of Duties

Status: The District has not segregated all accounting duties. No written policies exist for data security, internet and mobile device use, or contingency plan. Backups are not performed on the accounting data.

Initial Year Reported: 2009

Reasons for Recurrence and Corrective Action Plan: As the District has determined that it is not beneficial to employ additional personnel just to be able to adequately segregate duties, it will be repeated in 2018, see Corrective Action Plan.

Finding No. 2017-002: Preparation of Financial Statements and Schedule of Federal Expenditures (SEFA)

Status: It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements and Schedule of Federal Expenditures as a part of the annual audit process. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Initial Year Reported: 2015

Reasons for Recurrence and Corrective Action Plan: As the District has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2018, see Corrective Action Plan.

Finding No. 2017-003 Adjusting Journal Entries

Status: The District did not complete all year-end adjustments or bank reconciliations timely throughout the year.

Initial Year Reported: 2015

Reasons for Recurrence and Corrective Action Plan: The finding is altered based on specific audit adjustments each year and is repeated in the Schedule of Findings. See Corrective Action Plan.

Finding No. 2017-004 Debt Covenant Noncompliance

Status: The District has not complied with debt covenants related to establishing an escrow account equal to Impact Aid receipts for the school year. The escrow account was not utilized during the current year, therefore no funds were escrowed during the year.

Initial Year Reported: 2015

Reasons for Recurrence and Corrective Action Plan: The current Business Manager was not employed during the time period of this audit. This finding is repeated, see Corrective Action Plan.

Fort Yates PUBLIC SCHOOL | DISTRICT NO. 4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
JUNE 30, 2018

Finding No. 2017-005 Retirement Plan Noncompliance

Status: It was noted during a compliance audit performed by Teacher's Fund for Retirement (TFFR) the District was not in compliance due to reporting issues relating to failing to report eligible employees, reporting employees in wrong fiscal years, failure to report corrections, reporting ineligible expenses for employees, and undetermined errors for numerous employees.

Initial Year Reported: 2016

Reasons for Recurrence and Corrective Action Plan: The current Business Manager was not employed during the time period of this audit. This finding is repeated, see Corrective Action Plan.

Finding No. 2017-006: Capital Asset Records

Status: Capital asset records were not properly maintained to support the amounts reported for governmental activities capital assets, resulting in a lack of controls over public assets and inaccurate financial statements.

Initial Year Reported: 2016

Reasons for Recurrence and Corrective Action Plan: The current Business Manager was not employed during the time period of this audit. This finding is repeated, see Corrective Action Plan.

Finding No. 2017-007: Testing Errors

Status: Errors were noted during the sample testing of 40 payroll transactions and 20 non-payroll disbursement transactions. Errors noted were due to lack of supporting documentation and turnover in business office.

Initial Year Reported: 2015

Reasons for Recurrence and Corrective Action Plan: The finding is altered based on specific testing errors each year and is repeated in the Schedule of Findings. See Corrective Action Plan.

Finding No. 2017-008: Joint Powers Agreement

Status: The District operates a middle school under a Joint Powers Agreement entered into with the Standing Rock Community Grant School (the School). The Joint Powers Agreement does not specifically address the allocation of expenditures between the School and the District.

Initial Year Reported: 2016

Reasons for Recurrence and Corrective Action Plan: The same agreement is still in place in 2017. This finding is repeated, see Corrective Action Plan.

Fort Yates PUBLIC SCHOOL | DISTRICT NO. 4

Finding No. 2017-009: Audit Package Late Filing

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

Initial Year Reported: 2016

Reasons for Recurrence and Corrective Action Plan: Due to turnover in the Business Manager position, the annual report was not filed timely. The current year audit report will also not be filed timely. This finding is repeated in 2017, see Corrective Action Plan.

Finding No. 2017-010: Lack of Impact Aid Documentation and Written Uniform Guidance Policies

Status: The District does not have written policies for allowable costs/cost principles and cash management. They also do not have the Impact Aid application or supporting records of student counts.

Initial Year Reported: 2017

Reasons for Recurrence and Corrective Action Plan: Due to turnover in the Business Manager position, this is a reoccurring issue. This finding is repeated in 2018, see Corrective Action Plan.

Fort Yates PUBLIC SCHOOL | DISTRICT NO. 4

JUNE 30, 2018

Fort Yates Public School District No. 4 respectfully submits the following corrective action plan regarding findings from the June 30, 2018 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

<u>2018-001 FINDING: Segregation of Duties</u>

Responsible Individuals: David Drapeaux, Business Manager

*Corrective Action Plan:*Existing internal controls are being evaluated and new controls will be implemented based upon feasibility and staffing. The District's response remains the same.

Anticipated Completion Date: Ongoing

<u>2018-002 FINDING: Preparation of Financial Statements and Schedule of Federal Expenditures (SEFA)</u>

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: The District agrees with the finding and accepts this risk. This will continue to be a finding as the board and administration feel it is better to have an outside source prepare the year-end financial statements. The District's response remains the same.

Anticipated Completion Date: Ongoing

<u>2018-003 FINDING: Adjusting Journal Entries</u>

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: Currently completed bank reconciliations are a part of the monthly financial school board report. Ledger accounts are balanced on a quarterly basis, with some balanced as part of the month end process.

Anticipated Completion Date: Ongoing

<u>2018-004 FINDING: Debt Covenant Noncompliance</u>

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: The required changes will be resolved in a future fiscal year. Until the time that debt covenant compliance is restored, payments have been and will continue to be made when due. Due to the fact that US Bank has not required us to set this escrow account up, it has not been a priority for the District to do so.

Anticipated Completion Date: Ongoing

CORRECTIVE ACTION PLAN (CONTINUED)
JUNE 30, 2017

2018-005 FINDING: Retirement Plan Noncompliance

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: Current Business Manager has attended training sessions on reporting and compliance issues related to TFFR and is working with the ND Retirement and Investment Office to ensure proper accounting for its TFFR. All payment and reporting to the ND Retirement and Investment Office are now done accurately and on time. The Business Manager continues to educate himself on the requirements on reporting TFFR.

Anticipated Completion Date: Ongoing

2018-006 FINDING: Capital Asset Records

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: In FY2019 an outside company was contracted to help provide an accurate equipment inventory for the District. This has been an ongoing issue for the District for many years. This issue will be resolved by the end of FY2019.

Anticipated Completion Date: Ongoing

2018-007 FINDING: Testing Errors

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: Many of the clerical and accounting issues have been resolved and continue to get better with the current stability of Business Manage position.

Anticipated Completion Date: Ongoing

2018-008 FINDING: Joint Powers Agreement

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: The Joint Powers was dissolved in FY2019. This should resolve this issue in the future. The District's revenue will still be derived in FY2019 based off of the FY2018 counts.

Anticipated Completion Date: June 30, 2019.

2018-009 FINDING: Audit Package Late Filing

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: We are currently on schedule to complete the FY2019 audit by the end of June 2020, and from there we should be on schedule to complete the FY2020 audit by the March 2021 deadline.

Anticipated Completion Date: March 2021.

2018-010 FINDING: Lack of Impact Aid Documentation and Written Uniform Guidance Policies

Responsible Individuals: David Drapeaux, Business Manager

Corrective Action Plan: The District will create written policies for allowable expenses & begin adequate records of student counts.

Anticipated Completion Date: Ongoing