

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

AUDITED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

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BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

OFFICIAL DIRECTORY
June 30, 2019

Mike Schwehr	President
Lee Guscette	Vice-President
Bret Fehr	Board Member
Michele Elston	Board Member
Cindy Christianson	Board Member
Brent Bruner	Board Member
Chad Bakken	Board Member
Lori Carlson	Board Member
Robert Harstad	Board Member
Michael Severson	Superintendent
Amy Darby	Business Manager



INDEPENDENT AUDITOR'S REPORT

School Board
Barnes County North Public School District
Wimbledon, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Barnes County North Public School District, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise Barnes County North Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Barnes County North Public School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the Barnes County North Public School District, as of June 30, 2019 and 2018 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barnes County North Public School District's basic financial statements. The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, nonmajor governmental funds – combining balance sheet, and nonmajor governmental funds – schedule of revenues, expenditures, and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

As discussed in Note 12 to the financial statements, there was an error in cash, long-term liabilities, and capital assets as of June 30, 2017 that was discovered by management in the current year. Accordingly, an adjustment has been made to net position as of June 30, 2017 to correct the error. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2022 on our consideration of Barnes County North Public School 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 Barnes County North Public School District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
June 14, 2022

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

	2019		2018	
	Primary Government	BCN Education Foundation	Primary Government	BCN Education Foundation
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,831,927	\$ 277,220	\$ 2,658,803	\$ 288,167
Total Current Assets	2,831,927	277,220	2,658,803	288,167
Capital Assets				
Non-depreciable				
Land	126,020	-	126,020	-
Depreciable, net of accumulated depreciation				
Buildings and Improvements	13,308,742	-	13,577,113	-
Vehicles	430,269	-	432,805	-
Equipment	71,748	-	86,248	-
Total Capital Assets	13,936,779	-	14,222,186	-
Total Assets	16,768,706	277,220	16,880,989	288,167
LIABILITIES				
Current Liabilities				
Payroll Liabilities	5,349	-	3,873	-
Current Portion of Long-term Debt				
General Obligation Bonds Payable	610,000	-	590,000	-
Capital Leases Payable	24,000	-	-	-
Total Current Liabilities	639,349	-	593,873	-
Due After One Year				
General Obligation Bonds Payable	10,685,000	-	11,295,000	-
Capital Leases Payable	-	-	24,000	-
Total Long-term Liabilities	10,685,000	-	11,319,000	-
Total Liabilities	11,324,349	-	11,912,873	-
NET POSITION				
Net Investment in Capital Assets	2,617,779	-	2,313,186	-
Restricted	1,051,131	277,220	822,361	288,167
Unrestricted	1,775,447	-	1,832,569	-
Total Net Position	\$ 5,444,357	\$ 277,220	\$ 4,968,116	\$ 288,167

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	BCN Education Foundation
Governmental Activities					
Regular Instruction	\$ 1,900,155	\$ -	\$ 110,193	\$ (1,789,962)	\$ -
Special Instruction	65,659	-	-	(65,659)	-
Vocational Instruction	88,358	-	-	(88,358)	-
Pupil Services	223,603	-	-	(223,603)	-
General Administration Services	165,407	-	-	(165,407)	-
School Administration Services	264,147	-	-	(264,147)	-
Operation and Maintenance	602,257	-	4,500	(597,757)	-
Pupil Transportation	515,480	-	242,216	(273,264)	-
Student Activities	191,209	-	-	(191,209)	-
School Food Services	253,020	59,299	91,232	(102,489)	-
Community Services	60,213	-	-	(60,213)	-
Interest and Other Charges	510,325	-	-	(510,325)	-
	<u>\$ 4,839,833</u>	<u>\$ 59,299</u>	<u>\$ 448,141</u>	(4,332,393)	-
Component Unit					
Regular Instruction	<u>\$ 13,679</u>	<u>\$ -</u>	<u>\$ 400</u>	-	(13,279)
General Revenues					
Taxes					
Taxes Levied for General Purposes				2,051,448	-
Taxes Levied for Building Purposes				331,080	-
State Aid, not restricted for specific purpose				2,340,766	-
Interest and Investment Earnings				7,167	2,332
Miscellaneous				78,173	-
Total General Revenues				<u>4,808,634</u>	<u>2,332</u>
Change in Net Position				476,241	(10,947)
Net Position, Beginning of Year				<u>4,968,116</u>	<u>288,167</u>
Net Position, End of Year				<u>\$ 5,444,357</u>	<u>\$ 277,220</u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	BCN Education Foundation
Governmental Activities					
Regular Instruction	\$ 1,805,034	\$ -	\$ 105,681	\$ (1,699,353)	\$ -
Special Instruction	68,981	-	-	(68,981)	-
Vocational Instruction	84,207	-	-	(84,207)	-
Pupil Services	295,223	-	-	(295,223)	-
General Administration Services	163,258	-	-	(163,258)	-
School Administration Services	372,810	-	-	(372,810)	-
Operation and Maintenance	550,416	-	-	(550,416)	-
Pupil Transportation	504,649	-	224,888	(279,761)	-
Student Activities	161,975	-	-	(161,975)	-
School Food Services	260,269	63,572	92,557	(104,140)	-
Community Services	41,251	-	-	(41,251)	-
Interest and Other Charges	534,838	-	-	(534,838)	-
	<u>\$ 4,842,911</u>	<u>\$ 63,572</u>	<u>\$ 423,126</u>	(4,356,213)	-
Component Unit					
Regular Instruction	<u>\$ 22,548</u>	<u>\$ -</u>	<u>\$ 12,700</u>	-	(9,848)
General Revenues					
Taxes					
Taxes Levied for General Purposes				2,133,654	-
Taxes Levied for Building Purposes				224,240	-
State Aid, not restricted for specific purpose				2,575,642	-
Interest and Investment Earnings				6,472	834
Miscellaneous				75,622	-
Total General Revenues				<u>5,015,630</u>	<u>834</u>
Change in Net Position				659,417	(9,014)
Net Position, Beginning of Year				<u>4,308,699</u>	<u>297,181</u>
Net Position, End of Year				<u>\$ 4,968,116</u>	<u>\$ 288,167</u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	BCN Building Authority		
ASSETS					
Cash and Cash Equivalents	\$ 1,720,127	\$ 808,122	\$ 243,009	\$ 60,669	\$ 2,831,927
Total Assets	1,720,127	808,122	243,009	60,669	2,831,927
LIABILITIES					
Payroll Liabilities	5,349	-	-	-	5,349
Total Liabilities	5,349	-	-	-	5,349
FUND BALANCE					
Restricted	-	808,122	243,009	-	1,051,131
Assigned	-	-	-	60,669	60,669
Unassigned	1,714,778	-	-	-	1,714,778
Fund Balance	1,714,778	808,122	243,009	60,669	2,826,578
Total Liabilities and Fund Balance	\$ 1,720,127	\$ 808,122	\$ 243,009	\$ 60,669	\$ 2,831,927

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects	BCN Building Authority		
ASSETS					
Cash and Cash Equivalents	\$ 1,782,955	\$ 567,539	\$ 254,822	\$ 53,487	\$ 2,658,803
Total Assets	1,782,955	567,539	254,822	53,487	2,658,803
LIABILITIES					
Payroll Liabilities	3,873	-	-	-	3,873
Total Liabilities	3,873	-	-	-	3,873
FUND BALANCE					
Restricted	-	567,539	254,822	-	822,361
Assigned	-	-	-	53,487	53,487
Unassigned	1,779,082	-	-	-	1,779,082
Fund Balance	1,779,082	567,539	254,822	53,487	2,654,930
Total Liabilities and Fund Balance	\$ 1,782,955	\$ 567,539	\$ 254,822	\$ 53,487	\$ 2,658,803

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
June 30, 2019 and 2018

Total Fund Balance - Governmental Funds June 30, 2019		\$ 2,826,578
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	16,898,406	
Less Accumulated Depreciation	<u>(2,961,627)</u>	
Net Capital Assets		13,936,779
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable	(11,295,000)	
Capital Leases Payable	<u>(24,000)</u>	
Total Long-term Liabilities		<u>(11,319,000)</u>
Total Net Position of Governmental Activities June 30, 2019		<u>\$ 5,444,357</u>
Total Fund Balance - Governmental Funds June 30, 2018		\$ 2,654,930
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	16,774,569	
Less Accumulated Depreciation	<u>(2,552,383)</u>	
Net Capital Assets		14,222,186
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
General Obligation Bonds Payable	(11,885,000)	
Capital Leases Payable	<u>(24,000)</u>	
Total Long-term Liabilities		<u>(11,909,000)</u>
Total Net Position of Governmental Activities June 30, 2018		<u>\$ 4,968,116</u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2019

	Major Funds				Total Governmental Funds
	General Fund	Capital Projects	BCN Building Authority	Other Governmental Funds	
REVENUES					
Local Sources	\$ 2,053,948	\$ 331,080	\$ 1,088,380	\$ 59,299	\$ 3,532,707
State Sources	2,592,521	-	-	1,606	2,594,127
Federal Sources	102,654	-	-	89,626	192,280
Interest Income	6,965	64	132	6	7,167
Miscellaneous Income	78,035	-	-	138	78,173
Total Revenues	4,834,123	331,144	1,088,512	150,675	6,404,454
EXPENDITURES					
Current					
Regular Instruction	1,900,155	-	-	-	1,900,155
Special Instruction	65,659	-	-	-	65,659
Vocational Instruction	88,358	-	-	-	88,358
Pupil Services	223,603	-	-	-	223,603
General Administration Services	165,407	-	-	-	165,407
School Administration Services	264,147	-	-	-	264,147
Operation and Maintenance	1,317,205	50,024	-	-	1,367,229
Pupil Transportation	512,944	-	-	-	512,944
Student Activities	191,209	-	-	-	191,209
School Food Services	109,527	-	-	143,493	253,020
Community Services	60,213	-	-	-	60,213
Debt Service					
Principal	-	-	590,000	-	590,000
Interest and Other Charges	-	-	510,325	-	510,325
Facilities Acquisition and Construction	-	40,537	-	-	40,537
Total Expenditures	4,898,427	90,561	1,100,325	143,493	6,232,806
Excess (Deficiency) of Revenues over Expenditures	(64,304)	240,583	(11,813)	7,182	171,648
FUND BALANCE, BEGINNING OF YEAR	1,779,082	567,539	254,822	53,487	2,654,930
FUND BALANCE, END OF YEAR	\$ 1,714,778	\$ 808,122	\$ 243,009	\$ 60,669	\$ 2,826,578

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Capital Projects	BCN Building Authority	Other Governmental Funds	
REVENUES					
Local Sources	\$ 2,133,654	\$ 224,240	\$ 1,152,624	\$ 63,572	\$ 3,574,090
State Sources	2,800,530	-	-	1,424	2,801,954
Federal Sources	105,681	-	-	91,133	196,814
Interest Income	6,333	39	95	5	6,472
Miscellaneous Income	71,433	4,000	-	189	75,622
Total Revenues	5,117,631	228,279	1,152,719	156,323	6,654,952
EXPENDITURES					
Current					
Regular Instruction	1,805,034	-	-	-	1,805,034
Special Instruction	68,981	-	-	-	68,981
Vocational Instruction	84,207	-	-	-	84,207
Pupil Services	295,223	-	-	-	295,223
General Administration Services	163,258	-	-	-	163,258
School Administration Services	372,810	-	-	-	372,810
Operation and Maintenance	1,350,806	29,635	-	-	1,380,441
Pupil Transportation	500,198	-	-	-	500,198
Student Activities	161,975	-	-	-	161,975
School Food Services	106,919	-	-	153,350	260,269
Community Services	41,251	-	-	-	41,251
Debt Service					
Principal	10,476	-	565,000	-	575,476
Interest and Other Charges	1,913	-	532,925	-	534,838
Facilities Acquisition and Construction	-	165,446	-	-	165,446
Total Expenditures	4,963,051	195,081	1,097,925	153,350	6,409,407
Excess of Revenues over Expenditures	154,580	33,198	54,794	2,973	245,545
OTHER FINANCING SOURCES (USES)					
Operating Transfer In	-	75,000	-	-	75,000
Operating Transfer Out	(75,000)	-	-	-	(75,000)
Total Other Financing Sources (Uses)	(75,000)	75,000	-	-	-
NET CHANGE IN FUND BALANCE	79,580	108,198	54,794	2,973	245,545
FUND BALANCE, BEGINNING OF YEAR	1,699,502	459,341	200,028	50,514	2,409,385
FUND BALANCE, END OF YEAR	\$ 1,779,082	\$ 567,539	\$ 254,822	\$ 53,487	\$ 2,654,930

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS**
Years Ended June 30, 2019 and 2018

Net Change in Fund Balances - Total Government Funds June 30, 2019	\$ 171,648
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(285,407)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	<u>590,000</u>
Change in Net Position of Governmental Activities June 30, 2019	<u><u>\$ 476,241</u></u>
Net Change in Fund Balances - Total Government Funds June 30, 2018	\$ 245,545
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(161,604)
Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	<u>575,476</u>
Change in Net Position of Governmental Activities June 30, 2018	<u><u>\$ 659,417</u></u>

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

STATEMENTS OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS – MODIFIED CASH BASIS
June 30, 2019 and 2018

	Agency Funds	
	2019	2018
Assets		
Cash and Investments	\$ 65,658	\$ 65,063
Total Assets	65,658	65,063
Liabilities		
Due to Groups	65,658	65,063
Total Liabilities	\$ 65,658	\$ 65,063

See Notes to Financial Statements

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Barnes County North Public School District, Wimbledon, North Dakota (the District) are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the activities of the Barnes County North Public School District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Barnes County North Public School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on Barnes County North Public School District.

Based on these criteria, there two component units to be included within the Barnes County North Public School District as a reporting entity.

Barnes County North Public School District Education Foundation (BCN Foundation) – The BCN Foundation was formed to complement the Barnes County North Public School District's efforts to provide quality education. Board members of the District sit on the nominating committee of the BCN Foundation that nominates board members. Thus, the entity was included as a discretely presented component unit of the District.

Barnes County North Public School District Building Authority (Building Authority) – The Building Authority was formed to aid, assist and foster the planning, development, construction, renovation and improvement of school buildings, furnishings, fixtures, equipment and related facilities for the Barnes County North Public School District, all for the purpose of securing adequate schools and related facilities for the education of the children of the Barnes County North Public School District and the general welfare of the District. The Building Authority's board members are the District's board members, and they make the operating and financial decisions of the Building Authority. The Building Authority's only activity is a lease of real property to one tenant, the District. Thus, the entity was included as a blended component unit of the District in a separate fund.

B. Basis of Presentation, Basis of Accounting

Government-wide statements - The statement of net position and the statement of activities display information about the primary government (Barnes County North Public School District). 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. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. 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) fees and charges paid by the recipients of goods or 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, including all taxes, are presented as general revenues.

Fund financial statements - The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

The District reports the following major governmental funds:

1. *General Fund* – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. *Capital Projects Fund* – Used to account for financial resources related to capital outlays made by the District.
3. *Barnes County North Public School District Building Authority* – Used to account and report the proceeds of specific revenue resources that are restricted or committed to expenditure for specific purpose.

Additionally, the District reports the following governmental fund types that are included in non-major funds:

1. Governmental Funds
 - a. *Food Service Fund* – Used to account for food service revenues and expenditures.
2. Fiduciary Funds
 - a. *Agency Funds* – Used to account for resources held for others in a custodial capacity, the District's Agency Fund is the Student Activity Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental funds are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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 uninsured balance.

E. Capital Assets

Capital assets include land, buildings, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/Improvements	20 - 50
Equipment	10
Busses/Vehicles	10

F. Vacation Pay and Sick Pay

The expenditures for vacation and sick pay are recognized when payment is made. Full time employees are allowed up to 40 hours of sick leave per year that accumulates to a maximum 400 hours. Full time employees between 1-9 years of service are allowed 80 hours per year accumulative to 160 hours, 10-19 years of service are allowed 120 hours per year accumulative to 240 hours, 20 or more years of service are allowed 160 hours per year accumulative to 320 hours.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material. In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance and Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the Barnes County North Public School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Budget Stabilization Policy:

Replenishing deficiencies - when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budget strategies and time frames described as follows:

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

1. The District will reduce recurring expenditures to eliminate any structural deficit; or
2. The District will increase revenues or pursue funding sources; or
3. Some combination of the two operations above.

GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School Board. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Restricted Fund Balance

1. Capital Projects Fund
 - a. Fund used for capital asset acquisition or expenditure. Restricted by enabling legislation, tax levy, and bond indenture.
2. Barnes County North Public School District Building Authority
 - a. Fund used for capital asset acquisition and payment of principal and interest. Restricted by enabling legislation and bond indenture.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Assigned Fund Balance

1. Food service
 - a. Restricted state and federal resources are spent first and reimbursed by year-end. Any remaining fund balance is normally left in the food service fund at year-end but may be spent at the discretion of the business manager (authority given from the governing board).

Unassigned Fund Balance

1. General Fund
 - a. Consists of the amount reported in the General Fund at year-end.

Net Position

The District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

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

Net Investment in capital assets is reported for capital assets less accumulated depreciation and any related debt used to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes. Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the District's ongoing obligations.

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

Expenditures over Appropriations – General fund expenditures exceeded budgeted amounts for the years ended June 30, 2019 and 2018 by \$49,027 and \$125,398. Expenditures for operation and maintenance exceeded budgeted amounts in 2019 and operation and maintenance, pupil services, and pupil transportation exceeded budgeted amounts in 2018.

NOTE 3 – DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designed 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 other financial institutions 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.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

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, 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. For the years ended June 30, 2019 and 2018, the District's carrying amounts of deposits were \$3,174,805 and \$3,012,033. The bank balances were \$3,560,191 and \$3,424,600. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and the remaining bank balances were collateralized with securities held by pledging financial institution's agents in the government's name.

Credit Risk:

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

1. 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.
2. 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.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2019 and 2018:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 126,020	\$ -	\$ -	\$ 126,020
Total Capital Assets, not being depreciated	126,020	-	-	126,020
Capital Assets, being depreciated				
Buildings and Improvements	15,404,904	40,537	-	15,445,441
Vehicles	1,098,636	83,300	-	1,181,936
Equipment	145,009	-	-	145,009
Total Capital Assets, being depreciated	16,648,549	123,837	-	16,772,386
Less Accumulated Depreciation for:				
Buildings and Improvements	1,827,791	308,908	-	2,136,699
Vehicles	665,831	85,836	-	751,667
Equipment	58,761	14,500	-	73,261
Total Accumulated Depreciation	2,552,383	409,244	-	2,961,627
Total Capital Assets Being Depreciated, net	14,096,166	(285,407)	-	13,810,759
Governmental Activities Capital Assets, net	<u>\$ 14,222,186</u>	<u>\$ (285,407)</u>	<u>\$ -</u>	<u>\$ 13,936,779</u>
	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 126,020	\$ -	\$ -	\$ 126,020
Construction in Progress	42,527	-	(42,527)	-
Total Capital Assets, not being depreciated	168,547	-	(42,527)	126,020
Capital Assets, being depreciated				
Buildings and Improvements	15,196,931	207,973	-	15,404,904
Vehicles	1,017,574	81,062	-	1,098,636
Equipment	145,009	-	-	145,009
Total Capital Assets, being depreciated	16,359,514	289,035	-	16,648,549
Less Accumulated Depreciation for:				
Buildings and Improvements	1,519,693	308,098	-	1,827,791
Vehicles	580,318	85,513	-	665,831
Equipment	44,260	14,501	-	58,761
Total Accumulated Depreciation	2,144,271	408,112	-	2,552,383
Total Capital Assets Being Depreciated, net	14,215,243	(119,077)	-	14,096,166
Governmental Activities Capital Assets, net	<u>\$ 14,383,790</u>	<u>\$ (119,077)</u>	<u>\$ (42,527)</u>	<u>\$ 14,222,186</u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Depreciation expense was charged to functions/programs of the District as follows:

	<u>2019</u>	<u>2018</u>
Governmental Activities:		
Operation and Maintenance	\$ 323,408	\$ 322,599
Pupil Transportation	85,836	85,513
Total Depreciation Expense - Governmental Activities	<u>\$ 409,244</u>	<u>\$ 408,112</u>

NOTE 5 – LONG-TERM LIABILITIES

During the years ended June 30, 2019 and 2018, the following changes occurred in long-term liabilities:

	<u>Long-term Liabilites at July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Long-term Liabilites at June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 11,885,000	\$ -	\$ (590,000)	\$ 11,295,000	\$ 610,000
Capital Leases Payable	24,000	-	-	24,000	24,000
Total - Governmental Activities	<u>\$ 11,909,000</u>	<u>\$ -</u>	<u>\$ (590,000)</u>	<u>\$ 11,319,000</u>	<u>\$ 634,000</u>

	<u>Long-term Liabilites at July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Long-term Liabilites at June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 12,450,000	\$ -	\$ (565,000)	\$ 11,885,000	\$ 590,000
Capital Leases Payable	34,476	-	(10,476)	24,000	-
Total - Governmental Activities	<u>\$ 12,484,476</u>	<u>\$ -</u>	<u>\$ (575,476)</u>	<u>\$ 11,909,000</u>	<u>\$ 590,000</u>

Outstanding debt at June 30, 2019 and 2018 are comprised of the following individual issues:

1. Lease Revenue Bonds, Series 2012 – From an original issuance of \$14,500,000 at interest rates of 4.00%-4.50%. The interest and principal are payable through June 30, 2033.
2. Capital Lease Payable – From an original issuance of \$49,938 at 2.99%. The interest and principal are payable through June 30, 2020.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

The debt service requirements are as follows:

\$14,500,000 Lease Revenue Bonds, Series 2012
(Dated March 8, 2012, Due annually to May 1, 2033)
(Interest paid annually on June 1st)

Year Ending June 30,	Rate	Principal	Interest	Payment
2020	4.00%	\$ 610,000	\$ 485,925	\$ 1,095,925
2021	4.00%	635,000	461,525	1,096,525
2022	4.00%	660,000	436,125	1,096,125
2023	4.00%	685,000	409,725	1,094,725
2024	4.00%	715,000	382,325	1,097,325
2025-2029	4.25%	4,055,000	1,436,288	5,491,288
2030-2033	4.50%	3,935,000	452,475	4,387,475
Totals		<u>\$ 11,295,000</u>	<u>\$ 4,064,388</u>	<u>\$ 15,359,388</u>

The bonds maturing on May 1, 2022 and thereafter are subject to option redemption on May 1, 2021 and any date thereafter at a price of par plus accrued interest to the date of redemption. See Note 14 for additional information on subsequent refinancing.

CAPITAL LEASE PAYABLE

(Dated July 31, 2014, Due annually to August 1, 2019)
(Interest paid annually on August 12st)

Year Ending June 30,	Rate	Principal	Interest	Payment
2020	2.99%	\$ 24,000	\$ 696	\$ 24,696
Totals		<u>\$ 24,000</u>	<u>\$ 696</u>	<u>\$ 24,696</u>

NOTE 6 – RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and auto 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 \$2,000,000 per occurrence during a twelve-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 participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the years ended June 30, 2019 and 2018, no claims were filed for unemployment benefits.

NOTE 7 – PENSION PLANS

North Dakota Teacher's Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Re-funded 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 of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, if the District were to report on the full accrual basis, a liability of \$3,056,212 and \$3,298,213 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employees. At June 30, 2019 and 2018 the District's proportion was .229297% and .240127%. The District's pension contributions for the years ended June 30, 2019 and 2018 was \$201,792 and \$198,745.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in measurement:

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

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2018, funding actuarial valuation for TFFR. As a result of the April 30, 2015, actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administration expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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 adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	58%	6.70%
Global Fixed Income	23%	1.50%
Global Real Assets	18%	5.10%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2018. 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, 2018, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund the 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 July 1, 2018. 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, 2018.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

Pension Plan Fiduciary Net Position

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

NOTE 8 – RETIREMENT PLAN

The District sponsors a 403(b) plan for employees, total contributions for the years ended June 30, 2019 and 2018 were \$5,912 and \$4,109.

NOTE 9 – JOINT VENTURE

The District participates in the following joint ventures:

Sheyenne Valley Special Education Unit

Formed for the purpose of providing special education services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are superintendents. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Sheyenne Valley Special Education Unit.

Sheyenne Valley Area Career and Tech Center

Formed for the purpose of providing vocational services to the member school districts. The Co-op's governing board is composed of representatives from the member school districts, who are school board members. The Board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District retains no equity in the net assets of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation. Separate financial statements for this joint venture are available from the Sheyenne Valley Area Career and Tech Center.

NOTE 10 – NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service program. The market value of commodities received for the years ended June 30, 2019 and 2018 was \$14,777 and \$16,385.

NOTE 11 – CONCENTRATIONS

The District receives a substantial amount of its support from federal and state governments. A significant reduction in this support may have a material effect on the District's programs and its continued operations.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Notes to Financial Statements – Continued

NOTE 12 – CORRECTION OF MISSTATEMENT

It was determined that there was a financial misstatement for the year ended June 30, 2017. The misstatement includes an understatement of cash, capital assets, and accumulated depreciation and an understatement of long-term debt. These amounts have been corrected to reflect the additions and subtractions. The District made the following correction:

Net Position, previously reported	\$ 5,647,558
Cash	281,773
Payroll Liabilities	(2,520)
Long-term Debt	(34,476)
Fixed Assets	(704,861)
Accumulated Depreciation	<u>(878,775)</u>
Net Position, restated	<u><u>\$ 4,308,699</u></u>

NOTE 13 – TRANSFERS

\$75,000 was transferred from the general fund to the capital projects fund for improvements during the fiscal year ended June 30, 2018.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 14, 2022, the date on which the financial statements were available to be issued.

Subsequent to year end, the \$14,500,000 Lease Revenue Bonds, Series 2012 were refinanced with \$11,805,000 Taxable State Aid Refunding Certificates of Indebtedness, Series 2019. The new debt service requirements are below:

\$11,805,000 Taxable State Aid Refunding Certificates of Indebtedness, Series 2019

(Dated December 4, 2019, Due annually to August 1, 2033)

(Interest paid annually on February 1st)

<u>Year Ending June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2020	3.00%	\$ -	\$ -	\$ -
2021	3.00%	595,000	384,554	979,554
2022	3.00%	720,000	311,044	1,031,044
2023	3.00%	745,000	289,069	1,034,069
2024	3.00%	765,000	266,419	1,031,419
2025-2029	2.50 - 2.70%	4,190,000	984,508	5,174,508
2030-2033	2.80 - 3.00%	<u>4,790,000</u>	<u>362,114</u>	<u>5,152,114</u>
Totals		<u><u>\$ 11,805,000</u></u>	<u><u>\$ 2,597,708</u></u>	<u><u>\$ 14,402,708</u></u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 1,067,908	\$ 1,067,908	\$ 2,053,948	\$ 986,040
State Sources	2,582,982	2,582,982	2,592,521	9,539
Federal Sources	105,971	105,971	102,654	(3,317)
Interest Income	-	-	6,965	6,965
Miscellaneous Income	-	-	78,035	78,035
Total Revenues	3,756,861	3,756,861	4,834,123	1,077,262
EXPENDITURES				
Current				
Regular Instruction	1,953,300	1,953,300	1,900,155	53,145
Special Instruction	72,000	72,000	65,659	6,341
Vocational Instruction	95,700	95,700	88,358	7,342
Pupil Services	221,450	221,450	223,603	(2,153)
General Administration Services	174,450	174,450	165,407	9,043
School Administration Services	313,850	313,850	264,147	49,703
Operation and Maintenance	1,089,950	1,089,950	1,317,205	(227,255)
Pupil Transportation	532,850	532,850	512,944	19,906
Student Activities	211,100	211,100	191,209	19,891
School Food Services	120,500	120,500	109,527	10,973
Community Services	64,250	64,250	60,213	4,037
Total Expenditures	4,849,400	4,849,400	4,898,427	(49,027)
Excess (Deficiency) of Revenues over Expenditures	(1,092,539)	(1,092,539)	(64,304)	1,028,235
FUND BALANCE, BEGINNING OF YEAR			1,779,082	
FUND BALANCE, END OF YEAR			\$ 1,714,778	

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 1,824,000	\$ 1,824,000	\$ 2,133,654	\$ 309,654
State Sources	2,915,000	2,915,000	2,800,530	(114,470)
Federal Sources	108,000	108,000	105,681	(2,319)
Interest Income	-	-	6,333	6,333
Miscellaneous Income	-	-	71,433	71,433
Total Revenues	4,847,000	4,847,000	5,117,631	270,631
EXPENDITURES				
Current				
Regular Instruction	1,850,654	1,850,654	1,805,034	45,620
Special Instruction	60,000	60,000	68,981	(8,981)
Vocational Instruction	98,000	98,000	84,207	13,793
Pupil Services	224,999	224,999	295,223	(70,224)
General Administration Services	160,000	160,000	163,258	(3,258)
School Administration Services	355,000	355,000	372,810	(17,810)
Operation and Maintenance	1,270,000	1,270,000	1,350,806	(80,806)
Pupil Transportation	453,000	453,000	500,198	(47,198)
Student Activities	199,000	199,000	161,975	37,025
School Food Services	121,000	121,000	106,919	14,081
Community Services	40,000	40,000	41,251	(1,251)
Principal	6,000	6,000	10,476	(4,476)
Interest and Other Charges	-	-	1,913	(1,913)
Total Expenditures	4,837,653	4,837,653	4,963,051	(125,398)
Excess of Revenues over Expenditures	9,347	9,347	154,580	145,233
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out	-	-	(75,000)	75,000
Total Other Financing Sources	-	-	(75,000)	75,000
NET CHANGE IN FUND BALANCE	9,347	9,347	79,580	220,233
FUND BALANCE, BEGINNING OF YEAR			1,699,502	
FUND BALANCE, END OF YEAR			<u>\$ 1,779,082</u>	

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2019

	<u>Food Service</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 60,669</u>
Total Assets	60,669
FUND BALANCE	
Assigned	<u>60,669</u>
Fund Balance	<u>60,669</u>
Total Liabilities and Fund Balance	<u><u>\$ 60,669</u></u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET – MODIFIED CASH BASIS
June 30, 2018

	<u>Food Service</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 53,487</u>
Total Assets	53,487
FUND BALANCE	
Assigned	<u>53,487</u>
Fund Balance	<u>53,487</u>
Total Liabilities and Fund Balance	<u><u>\$ 53,487</u></u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2019

	<u>Food Service</u>
REVENUES	
Local Sources	\$ 59,299
State Sources	1,606
Federal Sources	89,626
Interest Income	6
Miscellaneous Income	<u>138</u>
Total Revenues	150,675
EXPENDITURES	
Current	
School Food Services	<u>143,493</u>
Total Expenditures	<u>143,493</u>
Excess of Revenues over Expenditures	7,182
FUND BALANCE, BEGINNING OF YEAR	<u>53,487</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 60,669</u></u>

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS**
Year Ended June 30, 2018

	<u>Food Service</u>
REVENUES	
Local Sources	\$ 63,572
State Sources	1,424
Federal Sources	91,133
Interest Income	5
Miscellaneous Income	<u>189</u>
Total Revenues	156,323
EXPENDITURES	
Current	
School Food Services	<u>153,350</u>
Total Expenditures	<u>153,350</u>
Excess of Revenues over Expenditures	2,973
FUND BALANCE, BEGINNING OF YEAR	<u>50,514</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 53,487</u></u>



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
Barnes County North Public School District
Wimbledon, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate discreetly presented component unit, and the aggregate remaining fund information of Barnes County North Public School District, as of and for the years ended June 30, 2019 and 2018, and the related notes to financial statements, which collectively comprise the Barnes County North Public School District's basic financial statements, and have issued our report thereon dated June 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Barnes County North Public School District's internal control over financial reporting (internal control) as a basis for designing 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 Barnes County North Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2019-001 and 2019-002).

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Barnes County North Public School District's response to the finding identified in our audit and described in the accompanying schedule of current year findings. The Barnes County North Public School District's response was not subjected to the other auditing procedures applied in the audit 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.



Nadine Julson, LLC
Wahpeton, North Dakota
June 14, 2022

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Years ended June 30, 2019 and 2018

2019-001 INADEQUATE SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the District.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause

The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Schedule of Current Year Findings – Continued

2019-002 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect of Potential Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

BARNES COUNTY NORTH PUBLIC SCHOOL DISTRICT
Wimbledon, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Years ended June 30, 2019 and 2018

Prior Financial Statement Findings:

2017-1

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2019-001.