



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Belcourt Public School District

Belcourt, North Dakota

Audit Report for the Year Ended June 30, 2019

Client Code: PS40340



Photo credit: North Dakota Tourism



Office of the
State Auditor



WHAT WE LOOKED AT

Our team conducted this audit pursuant to a citizen initiated petition under N.D.C.C. 54-10-15 which included reviewing financial transactions, expenditures and compliance with laws and regulations.

WHAT WE FOUND



Gave Students Attendance Awards

BPS gave \$34,750 in General Funds to award students for attendance.



Mixing Private & Public Funds

BPS mixed revenue and expenses for a privately held rodeo event with school funds.



Unknown Revenue Responsibility

BPS is unaware of who is responsible for the collection and reporting of gate fee revenues within the student activity fund.



Possible Board Conflict of Interests

Conflict of interests may have occurred with immediate family of board members without recuse.



Bypassing Purchasing Policy

BPS directed a vendor to split an invoice to keep within the Superintendent's signature authority of \$10,000.

ADDITIONAL CONCERNS IDENTIFIED



In addition to the five mentioned above, we found 10 other areas of concern over the course of our audit. Complete details on these can be found in the full audit report.

BELCOURT PUBLIC SCHOOL DISTRICT #7

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Belcourt Public School District #7, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Belcourt Public School District #7's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Belcourt Public School District #7, as of June 30, 2019, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belcourt Public School District #7's financial statements. The Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, and Notes to the Supplementary Information are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the financial statements.

The Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, Notes to the Supplementary Information, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension Liability and Employer Contributions, Schedule of Employer's Share of Net OPEB Liability and Employer Contributions, Notes to the Supplementary Information, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated April 13, 2020 on our consideration of Belcourt Public School District #7's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Belcourt Public School District #7's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Belcourt Public School District #7's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
April 13, 2020

BELCOURT PUBLIC SCHOOL DISTRICT #7

Statement of Net Position - Modified Cash Basis

June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 9,517,170
Capital Assets	
Nondepreciable	7,116,984
Depreciable, Net	<u>5,770,597</u>
Total Assets	<u>\$ 22,404,751</u>
LIABILITIES	
Long-Term Liabilities	
Due Within One Year	
Long Term Debt	\$ 176,207
Due After One Year	
Long Term Debt	<u>4,206,733</u>
Total Liabilities	<u>\$ 4,382,940</u>
NET POSITION	
Net Investment in Capital Assets	\$ 8,504,641
Unrestricted	<u>9,517,170</u>
Total Net Position	<u><u>\$ 18,021,811</u></u>

See notes to the financial statements

BELCOURT PUBLIC SCHOOL DISTRICT #7

Statement of Activities - Modified Cash Basis

For the 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				Governmental Activities
Regular Instruction	\$ 7,422,170	\$ -	\$ 4,880,878	\$ (2,541,292)
Special Education	4,454,616	-	2,140,663	(2,313,953)
Federal Programs	5,858,117	-	-	(5,858,117)
Career and Technical Education	1,044,136	-	-	(1,044,136)
District Wide Services	1,913,832	-	-	(1,913,832)
Administration	1,605,696	-	-	(1,605,696)
School Food Services	1,680,042	27,549	1,149,189	(503,304)
Operations and Maintenance	903,320	-	-	(903,320)
Transportation	1,400,162	-	714,025	(686,137)
Co-Curricular Activities	1,806,835	-	-	(1,806,835)
Other	233,091	-	-	(233,091)
Interest and Fees on Long-Term Debt	124,481	-	-	(124,481)
Total Governmental Activities	\$ 28,446,498	\$ 27,549	\$ 8,884,755	\$ (19,534,194)
General Revenues				
Unrestricted State Aid				
Per Pupil Aid				\$ 14,116,130
Unrestricted Federal Aid				
Impact Aid				345,856
BIA Education Grant				5,084,268
Interest Income				100,901
Miscellaneous Income				50,236
Total General Revenues				\$ 19,697,391
Changes in Net Position				\$ 163,197
Net Position - July 1				\$ 17,858,614
Net Position - June 30				\$ 18,021,811

See notes to the financial statements

BELCOURT PUBLIC SCHOOL DISTRICT #7

Balance Sheet – Governmental Funds - Modified Cash Basis

June 30, 2019

	General	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 9,321,001	\$ 196,169	\$ 9,517,170
FUND BALANCES			
Assigned			
Food Service	\$ -	\$ 196,169	\$ 196,169
Unassigned	9,321,001	-	9,321,001
Total Fund Balances	\$ 9,321,001	\$ 196,169	\$ 9,517,170

See notes to the financial statements

BELCOURT PUBLIC SCHOOL DISTRICT #7

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position - Modified Cash Basis
June 30, 2019

Total Fund Balances for Governmental Funds \$ 9,517,170

Total net position reported for governmental activities in the statement of net position
is different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds. 12,887,581

Long-term liabilities 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. (4,382,940)

Total Net Position of Governmental Activities \$ 18,021,811

See notes to the financial statements

BELCOURT PUBLIC SCHOOL DISTRICT #7

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - Modified Cash Basis
For the Year Ended June 30, 2019

	General	Other Governmental Fund	Total Governmental Funds
REVENUES			
Local Sources	\$ 125,143	\$ 27,550	\$ 152,693
State Sources	14,951,249	10,891	14,962,140
Federal Sources	12,426,039	1,042,829	13,468,868
Other Sources	25,994	-	25,994
Total Revenues	\$ 27,528,425	\$ 1,081,270	\$ 28,609,695
EXPENDITURES			
Current			
Regular Instruction	\$ 6,987,877	\$ -	\$ 6,987,877
Special Education	4,454,616	-	4,454,616
Federal Programs	5,858,117	-	5,858,117
Career and Technical Education	1,044,136	-	1,044,136
District Wide Services	1,913,832	-	1,913,832
Administration	1,605,696	-	1,605,696
School Food Services	305,121	1,374,921	1,680,042
Operations and Maintenance	1,263,095	-	1,263,095
Transportation	1,400,162	-	1,400,162
Co-Curricular Activities	1,806,835	-	1,806,835
Other	233,091	-	233,091
Capital Outlay	5,063,752	-	5,063,752
Debt Service			
Principal	135,000	-	135,000
Interest	130,688	-	130,688
Total Expenditures	\$ 32,202,018	\$ 1,374,921	\$ 33,576,939
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,673,593)	\$ (293,651)	\$ (4,967,244)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -	\$ 323,067	\$ 323,067
Transfers Out	(323,067)	-	(323,067)
Total Other Financing Sources and Uses	\$ (323,067)	\$ 323,067	\$ -
Net Change in Fund Balances	\$ (4,996,660)	\$ 29,416	\$ (4,967,244)
Fund Balances - July 1	\$ 14,317,661	\$ 166,753	\$ 14,484,414
Fund Balances - June 30	\$ 9,321,001	\$ 196,169	\$ 9,517,170

See notes to the financial statements

BELCOURT PUBLIC SCHOOL DISTRICT #7

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2019

Net Change in *Fund Balances* - Total Governmental Funds \$ (4,967,244)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 5,757,773	
Current Year Depreciation Expense	<u>(767,964)</u>	4,989,809

In the statement of activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements do not recognize losses on disposal of capital assets.

(575)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of long-term debt provides current financial resources to governmental funds, however, the debt principal issued increases liabilities in the statement of net position.

Payments on Long-Term Debt	\$ 135,000	
Amortization of Bond Premium	<u>6,207</u>	<u>141,207</u>

Change in Net Position of Governmental Activities \$ 163,197

See notes to the financial statements

BELCOURT PUBLIC SCHOOL DISTRICT #7

Statement of Fiduciary Assets and Liabilities – Agency Funds - Modified Cash Basis
June 30, 2019

	Agency Funds
ASSETS	
Cash and Cash Equivalents	<u>\$ 64,853</u>
LIABILITIES	
Due to Student Activities Groups	<u>\$ 64,853</u>

See notes to the financial statements

BELCOURT PUBLIC SCHOOL DISTRICT #7

Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Government-Wide Statements

The statement of net position and the statement of activities display information about the 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, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Fund Financial Statements

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

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

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

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

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

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

these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

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

The School District reports the following major governmental fund:

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

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

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

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

The School District reports the following fiduciary fund:

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

Equity Classifications

Government-wide Statements

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

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

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

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

Restricted and Unrestricted Resources

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the Business Manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

Net Position

When both restricted and unrestricted resources are available for use, it is the School 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, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted federal and state grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

Program Revenues

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

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

Budgets and Budgetary Accounting

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

1. The Superintendent and Business Manager prepare the School District budget under the modified cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund.
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

Cash and Cash Equivalents

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

Investment Policy

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

Pension

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from TFFR and NDPERS's fiduciary net position have been determined on the same basis as they are reported by TFFR and NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 6, is shown as additional information to the users of the financial statements.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the OPEB footnote, Note 7, is shown as additional information to the users of the financial statements.

Capital Assets

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

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

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

Compensated Absences

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

Long-Term Debt

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

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

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

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

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

Custodial Credit Risk

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the School District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The School District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

At year ended June 30, 2019, the School District's carrying amount of deposits totaled \$9,581,447, and the bank balances totaled \$10,650,652. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 PROPERTY TAXES

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

NOTE 4 CAPITAL ASSETS

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

	Balance Jul 1	Increases	Decreases	Balance Jun 30
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 2,171,455	\$4,945,529	\$ -	\$ 7,116,984
Capital Assets Being Depreciated				
Buildings	\$ 4,256,184	\$ -	\$ -	\$ 4,256,184
Equipment	6,063,797	580,325	2,590	6,641,532
Vehicles	3,462,665	231,920	34,125	3,660,460
Total Capital Assets, Being Depreciated	\$ 13,782,646	\$ 812,245	\$ 36,715	\$ 14,558,176
Less Accumulated Depreciation				
Buildings	\$ 1,270,021	\$ 87,324	\$ -	\$ 1,357,345
Equipment	4,669,582	457,301	-	5,126,883
Vehicles	2,116,151	223,339	36,139	2,303,351
Total Accumulated Depreciation	\$ 8,055,754	\$ 767,964	\$ 36,139	\$ 8,787,579
Total Capital Assets Being Depreciated, Net	\$ 5,726,892	\$ 44,281	\$ 576	\$ 5,770,597
Capital Assets, Net	\$ 7,898,347	\$4,989,810	\$ 576	\$ 12,887,581

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 552,934
Support Services	69,117
Operations and Maintenance	145,913
Total Depreciation Expense	\$ 767,964

NOTE 5 LONG-TERM LIABILITIES

During the year ended June 30, 2019, the following changes occurred in governmental activities long-term liabilities:

	Balance Jul 1	Increases	Decreases	Balance Jun 30	Due Within One Year
Long Term Debt					
Certificates of Indebtedness	\$ 4,400,000	\$ -	\$ 135,000	\$ 4,265,000	\$ 170,000
Bond Premium	124,147	-	6,207	117,940	6,207
Total Long Term Debt	\$ 4,524,147	\$ -	\$ 141,207	\$ 4,382,940	\$ 176,207

Debt service requirements on long-term debt is as follows:

Governmental Activities			
Year Ending Jun 30	Certificate of Indebtedness		
	Principal	Interest	Premium
2020	\$ 170,000	\$ 126,113	\$ 6,207
2021	175,000	120,938	6,207
2022	180,000	115,613	6,207
2023	185,000	110,138	6,207
2024	190,000	104,513	6,207
2025 - 2029	1,045,000	431,738	31,037
2030 - 2034	1,210,000	262,763	31,037
2035 - 2039	1,110,000	69,944	24,829
Total	\$ 4,265,000	\$ 1,341,760	\$ 117,940

NOTE 6 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Teacher's Fund for Retirement (ND TFFR)

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

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

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

North Dakota Public Employees' Retirement System (ND PERS)

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

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

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

Pension Benefits

ND TFFR

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

ND PERS

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

ND TFFR

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

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

ND PERS

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

ND TFFR

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

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

ND PERS

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

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

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

Pension Liabilities

For its proportionate share of the net pension liability, at June 30, 2019, the School District reported the following net pension liabilities:

	Net Pension Liability
ND TFFR	\$ 16,865,201
ND PERS	8,563,283
Total	<u>\$ 25,428,484</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	Pension Expense
ND TFFR	1.265341%	0.017851%	\$ 1,352,984
ND PERS	0.507421%	-0.006191%	1,311,498

Actuarial Assumptions

ND TFFR

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

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 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% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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 pension plan's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.7%
Global Fixed Income	23%	1.5%
Global Real Assets	18%	5.1%
Cash Equivalents	1%	0.0%

ND PERS

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

Inflation	2.50%
Salary increases	<div> <div>Service at Beginning of year:</div> <div>Increase Rate:</div> <div>015.00%</div> <div>110.00%</div> <div>28.00%</div> <div>Age*</div> <div>Under 3010.00%</div> <div>30 – 397.50%</div> <div>40 – 496.75%</div> <div>50 – 596.50%</div> <div>60+5.25%</div> <div>* Age-based salary increase rates apply for employees with three or more years of service</div> </div>
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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 Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

Discount Rate

ND TFFR

The discount rate used to measure the total pension liability was 7.75% percent 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 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.

ND PERS

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

ND TFFR

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's Proportionate Share of the Net Pension Liability	\$ 22,772,902	\$ 16,865,201	\$ 11,951,830

ND PERS

The following presents the County's and Health District's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the County's and Health 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 (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate.

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
School's Proportionate Share of the Net Pension Liability	\$ 11,635,909	\$ 8,563,283	\$ 5,999,275

Pension Plan Fiduciary Net Position

ND TFFR

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.

ND PERS

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

NOTE 7 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the following net OPEB liabilities were reported:

	Net OPEB Liability
ND PERS	\$ 375,196

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2017 Measurement	OPEB Expense
ND PERS	0.476398%	-0.008255%	\$ 44,302

Actuarial assumptions

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

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

Discount rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the County's and Health District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate Share of the Net OPEB Liability	\$ 474,713	\$ 375,196	\$ 289,884

NOTE 8 RISK MANAGEMENT

The Belcourt Public School District #7 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School District carries insurance through the following funds/pools established by the State: In 1986 State agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for over 2,000 State agencies and political subdivisions. The Belcourt Public School District #7 pays an annual premium to NDRF for its general liability, auto, personal injury and property damage, errors and omissions, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$3,340,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the School District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment. There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in the past three fiscal years.

NOTE 9 TRANSFERS

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

NOTE 10 COMMITMENTS

At June 30, 2019, the School District had the following construction commitment:

Project	Original Contract	Change Orders	Total Contract	Completed	Retainage	Remaining Commitment
TMCS Pre-K & Wrestling Facility	\$ 7,047,750	\$ 860,024	\$ 7,907,774	\$ 7,210,985	\$ 721,098	\$ 1,417,887

NOTE 11 ECONOMIC DEPENDENCY

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

NOTE 12 CONTINGENT LIABILITIES

The School District is a defendant in various lawsuits incident to its operations. In the opinion of School District Counsel and management, such claims against the School District not covered by insurance would not materially affect the financial condition of the School District.

BELCOURT PUBLIC SCHOOL DISTRICT #7

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 108,174	\$ 108,174	\$ 125,143	\$ 16,969
State Sources	15,258,933	15,258,933	14,951,249	(307,684)
Federal Sources	13,912,867	13,912,867	12,426,039	(1,486,828)
Other Sources	6,000	6,000	25,994	19,994
Total Revenues	\$ 29,285,974	\$ 29,285,974	\$ 27,528,425	\$ (1,757,549)
EXPENDITURES				
Current				
Regular Instruction	\$ 7,895,430	\$ 8,162,357	\$ 6,987,877	\$ 1,174,480
Special Education	5,642,430	5,468,434	4,454,616	1,013,818
Federal Programs	7,796,630	7,796,630	5,858,117	1,938,513
Career and Technical Education	1,023,160	1,027,762	1,044,136	(16,374)
District Wide Services	2,689,870	2,322,941	1,913,832	409,109
Administration	1,795,093	1,796,593	1,605,696	190,897
School Food Services	344,394	344,394	305,121	39,273
Operations and Maintenance	1,137,352	1,430,081	1,263,095	166,986
Transportation	1,294,774	1,398,530	1,400,162	(1,632)
Co-Curricular Activities	1,693,165	1,888,341	1,806,835	81,506
Other	350,029	350,029	233,091	116,938
Capital Outlay	5,507,279	5,184,981	5,063,752	121,229
Debt Service				
Principal	-	135,000	135,000	-
Interest	5,001	135,688	130,688	5,000
Total Expenditures	\$ 37,174,607	\$ 37,441,761	\$ 32,202,018	\$ 5,239,743
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,888,633)	\$ (8,155,787)	\$ (4,673,593)	\$ 3,482,194
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (358,328)	\$ (358,328)	\$ (323,067)	\$ 35,261
Net Changes in Fund Balances	\$ (8,246,961)	\$ (8,514,115)	\$ (4,996,660)	\$ 3,517,455
Fund Balances - July 1	\$ 3,078,087	\$ 3,078,087	\$ 14,317,661	\$ 11,239,574
Fund Balances - June 30	\$ (5,168,874)	\$ (5,436,028)	\$ 9,321,001	\$ 14,757,029

See notes to the supplementary information

BELCOURT PUBLIC SCHOOL DISTRICT #7

Schedule of Employer's Share of Net Pension Liability and Employer Contributions

For the Year Ended June 30, 2019

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years**

	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
ND TFFR					
2019	1.265341%	\$ 16,865,201	\$ 8,601,906	196.06%	65.50%
2018	1.247490%	17,134,592	8,420,198	203.49%	63.20%
2017	1.279130%	18,740,008	8,310,828	225.49%	59.20%
2016	1.306982%	17,093,434	8,039,312	212.62%	62.10%
2015	1.341873%	14,060,450	7,783,579	180.64%	66.60%
ND PERS					
2019	0.507421%	\$ 8,563,283	\$ 5,212,827	164.27%	62.80%
2018	0.513612%	8,255,430	5,243,170	157.45%	61.98%
2017	0.507975%	4,950,712	5,119,186	96.71%	70.46%
2016	0.536150%	3,645,728	4,776,443	76.33%	77.15%
2015	0.573493%	3,640,083	4,830,977	75.35%	77.70%

**Schedule of Employer Contributions
Last 10 Fiscal Years**

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
ND TFFR					
2019	\$ 2,207,185	\$ 2,207,185	\$ -	\$ 9,008,906	24.50%
2018	2,107,468	2,107,468	-	8,601,906	24.50%
2017	2,062,948	2,062,948	-	8,420,198	24.50%
2016	2,036,153	2,036,153	-	8,310,828	24.50%
2015	1,970,473	1,970,473	-	8,039,312	24.51%
ND PERS					
2019	\$ 383,947	\$ 372,434	\$ 11,513	\$ 5,501,898	6.77%
2018	380,194	334,979	45,215	5,212,827	6.43%
2017	370,621	356,384	14,237	5,243,170	6.80%
2016	362,809	344,664	18,145	5,119,186	6.73%
2015	343,966	343,966	-	4,776,443	7.20%

See notes to the supplementary information

BELCOURT PUBLIC SCHOOL DISTRICT #7

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions

For the Year Ended June 30, 2019

**Schedule of Employer's Share of Net OPEB Liability
Last 10 Fiscal Years**

	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered-employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
ND PERS					
2019	0.476398%	\$ 375,196	\$ 5,212,827	7.20%	59.78%
2018	0.484653%	384,817	5,243,170	7.34%	59.78%

**Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years**

	Statutory required contribution	Contributions in relation to the statutory required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
ND PERS					
2019	\$ 61,114	\$ 59,631	\$ 1,483	\$ 5,212,827	1.14%
2018	60,948	53,587	7,361	5,243,170	1.02%

See notes to the supplementary information

BELCOURT PUBLIC SCHOOL DISTRICT #7

Notes to the Supplementary Information
For the Year Ended June 30, 2019

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County expenditures and transfers budget for various funds as follows:

	Original Budget	Budget Amendment	Amended Budget
General Fund			
Expenditures	37,174,607	267,154	37,441,761

NOTE 3 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

NOTE 4 CHANGES OF ASSUMPTIONS

ND TFFR

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

ND PERS

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BELCOURT PUBLIC SCHOOL DISTRICT #7

Schedule of Expenditures of Federal Awards – Modified Cash Basis

For the Year Ended June 30, 2019

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the North Dakota State Department of Public Instruction			
10.553	School Breakfast Program	F10553	\$ 277,866
10.555	National School Lunch Program	F10555	763,804
10.555	Commodity assistance for schools	F10555	73,044
10.559	Summer Food Service Program for Children	F10559	50,009
10.559	Commodity assistance for schools	F10559	380
	Total Child Nutrition Cluster		<u>\$ 1,165,103</u>
10.582	Fresh Fruit and Vegetable Program		<u>55,901</u>
Total U.S. Department of Agriculture			<u>\$ 1,221,004</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
84.060A	Indian Education Grants to Local Educational Agencies	N/A	\$ 427,038
84.041	Impact Aid	N/A	345,856
Rural Education			
84.358B	Passed through the State Department of Public Instruction	N/A	\$ 37,808
84.358B	Passed through the Turtle Mountain Band of Chippewa Indians	A18AV00676	4,250
	Total Rural Education Cluster		<u>\$ 42,058</u>
Special Education Grants to States			
84.027	Passed through the Turtle Mountain Band of Chippewa Indians	A18AV00676	\$ 1,782,404
84.027	Passed through the State Department of Public Instruction	N/A	54,822
	Special Education Cluster (IDEA)		<u>\$ 1,837,226</u>
Title I Grants to Local Educational Agencies			
84.010	Passed through the State Department of Public Instruction	1019	\$ 2,993,370
84.010	Passed through the Turtle Mountain Band of Chippewa Indians	A18AV00676	1,117,378
	Total Title I Cluster		<u>\$ 4,110,748</u>
Passed through the State Department of Public Instruction			
84.371C	Striving Readers	F84371C	93,502
84.367A	Improving Teacher Quality State Grants	F84367	326,244
Passed through North Central Education Cooperative			
84.287	21st Century Community Learning Centers		62,450
Passed through the Turtle Mountain Band of Chippewa Indians			
84.181	IDEAC/Special Education - Grants for Infants and Families	A18AV00676	447,967
84.336	Title II Part A - Teacher Quality Partnership Grants	A18AV00676	44,286
Passed through ND Department of Career and Technical Education			
84.048A	Vocational Education - Basic Grants to States	N/A	<u>68,225</u>
Total U.S. Department of Education			<u>\$ 7,805,600</u>

BELCOURT PUBLIC SCHOOL DISTRICT #7

Schedule of Expenditures of Federal Awards – Modified Cash Basis - Continued

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF THE INTERIOR			
Passed through the Turtle Mountain Band of Chippewa Indians			
15.042	Indian School Equalization Program	A18AV00676	\$ 4,589,129
15.149	Focus on Student Achievement Project	A18AV00676	744
15.151	Education Program Enhancements	A18AV00676	124,581
15.046	Administrative Cost Grants for Indian Schools	A18AV00676	<u>631,798</u>
Total U.S. Department of Education			<u>\$ 5,346,252</u>
Total Expenditures of Federal Awards			<u><u>\$ 14,372,856</u></u>

* - Noncash assistance

See notes to the Schedule of Expenditures of Federal Awards

BELCOURT PUBLIC SCHOOL DISTRICT #7

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3 FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the District had no food commodities in inventory.

NOTE 4 PASS-THROUGH GRANT NUMBER

For federal programs marked "N/A", the School District was unable to obtain a pass-through grant number.



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*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Belcourt Public School District #7 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Belcourt Public School District #7's basic financial statements, and have issued our report thereon dated April 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Belcourt Public School District #7's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Belcourt Public School District #7's internal control. Accordingly, we do not express an opinion on the effectiveness of Belcourt Public School District #7's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as items 2018-001, 2018-002, 2019-003, 2019-004, 2019-005, 2019-014, and 2019-015 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, and 2019-013 to be significant deficiencies.

BELCOURT PUBLIC SCHOOL DISTRICT #7

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belcourt Public School District #7's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 audit findings and questioned costs* as items 2019-014 and 2019-015.

Belcourt Public School District #7's Response to Findings

Belcourt Public School District #7's response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs*. Belcourt Public School District #7's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
April 13, 2020

STATE AUDITOR
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAMS; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Belcourt Public School District #7's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Belcourt Public School District #7's major federal programs for the year ended June 30, 2019. Belcourt Public School District #7's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of Belcourt Public School District #7's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Belcourt Public School District #7's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Belcourt Public School District #7's compliance.

Opinion on Each Major Federal Program

In our opinion, Belcourt Public School District #7 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

BELCOURT PUBLIC SCHOOL DISTRICT #7

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance – Continued

Report on Internal Control over Compliance

Management of Belcourt Public School District #7 is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Belcourt Public School District #7's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Belcourt Public School District #7's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses and significant deficiencies may exist that were not identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items *2019-014 and 2019-015* to be a material weaknesses.

Belcourt Public School District # 7's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Belcourt Public School District #7's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
April 13, 2020

BELCOURT PUBLIC SCHOOL DISTRICT #7

Summary of Auditor's Results
For the Year Ended June 30, 2019

Financial Statements

Type of Report Issued

Governmental Activities

Unmodified

Major Fund

Unmodified

Aggregate Remaining Fund Information

Unmodified

Internal control over financial reporting

Material weaknesses identified? X Yes None Noted

Significant deficiencies identified not considered to be material weaknesses? X Yes None Noted

Noncompliance material to financial statements noted? Yes X None Noted

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified? X Yes None noted

Reportable conditions identified not considered to be material weaknesses? Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements? X Yes None noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
15.042	Indian School Equalization Program

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

Auditee qualified as low-risk auditee? Yes X No

BELCOURT PUBLIC SCHOOL DISTRICT #7

Schedule of Audit Findings and Questioned Costs

For the Year Ended June 30, 2019

Section I - Financial Statement Findings

2019-001 MATERIAL WEAKNESS – ADJUSTING JOURNAL ENTRIES

Condition

Belcourt Public School District currently does not prepare the various adjusting entries to properly reflect the financial statements in accordance with the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the adjusting entries to the financial statements.

Effect

There is an increased risk of material misstatement to Belcourt Public School District's financial statements.

Cause

Management chooses not to allocate school district resources for the preparation of the adjusting entries for the financial statements.

Criteria

Belcourt Public School District is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Prior Recommendation

Yes.

Recommendation

We recommend Belcourt Public School District consider the additional risk of having the auditors assist in the preparation of the adjusting entries to the financial statements and consider preparing them in the future.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-002 MATERIAL WEAKNESS – FINANCIAL STATEMENT PREPARATION

Condition

Belcourt Public School District currently does not prepare the financial statements, including the accompanying note disclosures, as required by the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

There is an increased risk of material misstatement to Belcourt Public School District's financial statements.

Cause

Management chooses not to allocate school district resources for preparation of the financial statements.

Criteria

Belcourt Public School District is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Prior Recommendation

Yes.

Recommendation

We recommend Belcourt Public School District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

Belcourt Public School District's Response

See Corrective Action Plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7Schedule of Audit Findings and Questioned Costs – Continued

2019-003 MATERIAL WEAKNESS – BYPASSING PURCHASING POLICY**Condition**

Belcourt Public School District specifically directed a vendor to split an invoice in order to get below the Superintendent's signature authority of \$10,000.

Effect

Belcourt Public School District may not be in compliance with its purchasing policy and may have hindered the necessary review process designed by the school board and managing staff.

Cause

Belcourt Public School District's managing staff chose not to obtain board approval for an invoice above \$10,000 prior to the vendor splitting the invoice into smaller amounts.

Criteria

Belcourt Public School District's purchasing policy states "All requisitions or purchase orders between the amounts of \$2,500 and \$10,000 shall also require approval by the superintendent. All requisitions and purchase orders exceeding \$10,000 shall require approval by resolution of the Board"

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District follow its purchasing policy for all transactions. We further recommend ensuring that all staff are aware of the policy and proper approval is obtained when required for any invoice prior to payment.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-004 MATERIAL WEAKNESS – CONFLICT OF INTEREST

Condition

During the review of the Belcourt Public School District board meeting minutes, it was noted that possible conflicts of interest may have occurred involving immediate family of board members without recuse.

Effect

Belcourt Public School District may be in violation of N.D.C.C. §15.1-07-17.

Cause

Belcourt Public School District may not have adequate procedures in place to handle a higher risk of conflicts of interest possibilities that decision makers of this district could have.

Criteria

N.D.C.C. §15.1-07-17 states "School district contracts - Conflict of interest - Penalty. 1. A school board member or other school officer who has a conflict of interest in any contract requiring the expenditure of school funds shall disclose the conflict to the board and may not participate in any discussions or votes regarding that contract without the consent of all other board members. 2. For purposes of this section, a conflict of interest means the personal, professional, or pecuniary interest of an individual, the individual's spouse or relative, or the individual's business or professional associate. 3. Any person who violates this section is guilty of a class A misdemeanor"

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District educate staff and board members as to what constitutes a conflict of interest to ensure compliance with N.D.C.C. §15.1-07-17. We further recommend Belcourt Public School District review procedures with the district's attorney to address a higher risk of potential conflicts of interest.

Belcourt Public School District's Response

See Corrective Action Plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7Schedule of Audit Findings and Questioned Costs – Continued

2019-005 MATERIAL WEAKNESS– STUDENT ACTIVITY FUND REPORTING**Condition**

Belcourt Public School District does not report revenues from gate fees for various school related events in the student activity fund.

Effect

Belcourt Public School District may not be in compliance with N.D.C.C. §15.1-07-10.

Cause

Belcourt Public School District does not have a formal agreement with the Turtle Mountain Band of Chippewa Indians that would state which entity has the rights to the collection of the revenue for gate fees. It is then unknown if Belcourt Public School District is responsible for the revenue for gate fees and if there is a requirement to be in compliance with N.D.C.C. §15.1-07-10.

Criteria

N.D.C.C. §15.1-07-10. states "The board of a school district shall establish an activities fund for the support of school-related extracurricular activities. The school district business manager shall deposit all receipts from extracurricular activities in the activities fund. The business manager shall submit to the school board a monthly report of receipts, expenditures, and balances in the activities fund."

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District adopt a formal agreement with the Turtle Mountain Band of Chippewa Indians specifying the responsibilities and rights over the collection of revenue from gate fees to ensure compliance with N.D.C.C. §15.1-07-10.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-006 SIGNIFICANT DEFICIENCY – FRAUD RISK ASSESSMENT

Condition

Belcourt Public School District does not currently prepare a fraud risk assessment of the entire entity.

Effect

If Belcourt Public School District does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

Cause

Belcourt Public School District may not have considered preparing a fraud risk assessment.

Criteria

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District prepare a fraud risk assessment in order to identify areas of concern within entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-007 SIGNIFICANT DEFICIENCY – NONCOMPLIANCE WITH LEAVE POLICY

Condition

Belcourt Public School District had multiple employees with annual or personal leave balances above the maximum allowed based on the annual and personal leave policies.

Effect

Belcourt Public School District may not be in compliance with its annual and personal leave policies.

Cause

Belcourt Public School District's leave balances are not reviewed and compared to the maximum balance allowed under the its annual and personal leave policies.

Criteria

Belcourt Public School District's annual leave policy states "Only 240 hours of annual leave may be carried beyond the pay period that includes the first day of the normal school calendar term of each year; hours in excess of 240 hours after that point will be lost."

Belcourt Public School District's personal leave policy states "Personal leave hours may be accumulated and carried forward from school year to school year up to a maximum of 240 hours. The employee also has the option of being paid unused personal leave at the end of each fiscal year upon written request and approval by the Superintendent."

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District implement procedures to ensure that balances for annual and personal leave are in compliance with its annual and personal leave policies.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-008 SIGNIFICANT DEFICIENCY – CAPITAL ASSET RECORDS

Condition

Belcourt Public School District has assets on its capital asset listing that it no longer owns. Additionally, it is depreciating assets that are below its capitalization policy threshold of \$5,000 and was unable to provide a current year depreciation listing by function.

Effect

Belcourt Public School District may not be in compliance with its capital asset policy and the modified cash basis of accounting, which increases the risk of material misstatement to its financial statements, whether due to error or fraud.

Cause

Belcourt Public School District does not maintain and review capital asset schedules which would assist in ensuring compliance with its capital asset policy and the modified cash basis of accounting.

Criteria

The modified cash basis of accounting requires financial statements, which includes capital assets, to be presented free from material misstatements.

Additionally, the district's Inventories of School Properties policy states "The fixed asset level for accounting capitalization purposes is set at \$5,000 and greater."

Prior Recommendation

No.

Recommendation

We recommend that Belcourt Public School District maintain and review capital asset listings and schedules to ensure compliance with its capital asset policy and the modified cash basis of accounting. We further recommend obtaining additional knowledge of the process of reporting capital assets to improve maintaining capital asset schedules used in the financial statements and notes to the financial statements.

Belcourt Public School District Response

See Corrective Action Plan.

2019-009 SIGNIFICANT DEFICIENCY – UNCASHED CHECKS

Condition

Belcourt Public School District failed to remit outstanding checks, which remained uncashed for more than two years, to the administrator of the state treasury.

Effect

Belcourt Public School District may not be in compliance with N.D.C.C. §47-30.1-02.1(1),(2)

Cause

Belcourt Public School District has not implemented a process of remitting outstanding checks, which remained uncashed for more than two years, to the administrator of the state treasury.

Criteria

N.D.C.C. §47-30.1-02.1(1),(2) states "Except as provided in sections 47-30.1-04 and 47-30.1-05, any checks held, issued, or owing in the ordinary course of the holder's business which remain uncashed by the owner for more than two years after becoming payable are presumed abandoned. Any warrant issued by the state which the payee or legal holder fails to present for payment within two years of issue is considered void and canceled. If the payee or legal holder presents the void or canceled check for payment, the original issuing agency may issue a new warrant and the state treasurer is authorized to pay the new warrant."

Prior Recommendation

Yes.

Recommendation

We recommend Belcourt Public School District ensure compliance with N.D.C.C. §47-30.1-02.1(1),(2) and remit outstanding checks which remain uncashed for more than two years to the state treasurer.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-010 SIGNIFICANT DEFICIENCY – LACK OF SUPPORTING DOCUMENTATION

Condition

Belcourt Public School District did not obtain adequate support documentation for six out of eight invoices that were tested relating to a contract that was entered into for drug testing services.

Effect

Belcourt Public School District may have paid for services that were not appropriate both in amount and compliance with the contract. In addition, the district has increased its risk of loss in conducting business with vendors.

Cause

Belcourt Public School District did not request adequate supporting documentation from the vendor to ensure each invoice for services performed were appropriate both in amount and compliance with the contract.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to invoices to be paid by the school district, management is responsible for adequate internal controls surrounding the review process.

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District ensure all invoices to be paid have adequate supporting documentation for proper approval and payment. We further recommend internal controls relating to the approval of invoices be reviewed and improved if necessary, to decrease the risk of loss financially whether due to error or fraud. We also recommend that invoices that relate to any contract be reviewed carefully to ensure compliance was obtained by all parties of the contract.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-011 SIGNIFICANT DEFICIENCY – RODEO EVENT ACTIVITY

Condition

Belcourt Public School District accounted for revenue and expenditures of a privately held rodeo event within the student activity fund.

Effect

Belcourt Public School District may not be in compliance with N.D.C.C. §15.1-07-10.

Cause

Belcourt Public School District did not realize activity related to a privately held rodeo event should not be accounted for by the district.

Criteria

N.D.C.C. §15.1-07-10 states "The board of a school district shall establish an activities fund for the support of school-related extracurricular activities. The school district business manager shall deposit all receipts from extracurricular activities in the activities fund. The business manager shall submit to the school board a monthly report of receipts, expenditures, and balances in the activities fund."

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District ensure that all transactions that occur within the student activity fund are appropriate and in compliance with N.D.C.C. §15.1-07-10.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-012 SIGNIFICANT DEFICIENCY – UNDERPLEDGED SECURITIES

Condition

Belcourt Public School District did not have adequate pledge of securities for all bank accounts as of June 30, 2019.

Effect

Belcourt Public School District may not be in compliance with N.D.C.C. §21-04-09.

Cause

Belcourt Public School District had adequate pledge of securities to cover deposits in excess of FDIC insurance; however, it did not have adequate securities to cover 110% of deposits in excess of FDIC insurance.

Criteria

N.D.C.C. §21-04-09 states "When securities are pledged to the board of any public corporation, the treasurer or other individual legally charged with the custody of public funds shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits."

Prior Recommendation

No.

Recommendation

We recommend that Belcourt Public School District ensures all bank accounts are adequately pledged at any bank where the bank balances may exceed 110% of FDIC Insurance.

Belcourt Public School District's Response

See Corrective Action Plan.

2019-013 SIGNIFICANT DEFICIENCY – ATTENDANCE AWARDS

Condition

During Fiscal Year 2019, Belcourt Public School District used General Fund resources to award various students a total of \$34,750 related to attendance.

Effect

Belcourt Public School District may not be in compliance with ND Constitution Article X, Section 18.

Cause

Belcourt Public School District did not realize using General Fund resources to award students for attendance was not appropriate.

Criteria

ND Constitution Article X, Section 18 states "...neither the state nor any political subdivision thereof shall otherwise loan or give its credit or make donations to or in aid of any individual, association or corporation except for reasonable support of the poor, nor subscribe to or become the owner of capital stock in any association or corporation."

Prior Recommendation

No.

Recommendation

Unless other laws apply, we recommend Belcourt Public School District discontinue the disbursements of attendance awards to its students.

Belcourt Public School District's Response

See Corrective Action Plan.

Section II - Federal Award Findings and Questioned Costs

2019-014 MATERIAL WEAKNESS – LACK OF FORMAL APPROVAL OF PLEDGE OF SECURITIES

Condition

Belcourt Public School District does not have internal controls in place to ensure the Indian School Equalization Program Grant funds are adequately pledged with a financial institution.

Effect

Belcourt Public School District, at times, may not be in compliance with Uniform Guidance.

Cause

Belcourt Public School District has not implemented internal controls to ensure grant funds are adequately pledged at a financial institution.

Criteria

Uniform Guidance requires internal controls to be in place surrounding the special test compliance requirement.

Questioned Costs

None.

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District implement a formal internal control process to ensure Indian School Equalization Program Grant funds are adequately pledged with a financial institution.

Belcourt Public School District's Response and Corrective Actions

See Corrective Action Plan.

2019-015 MATERIAL WEAKNESS – PRESENTING STUDENT TESTING REPORTS TO TRIBE

Condition

Belcourt Public School District submits, but does not formally review, the Student Testing Annual Report with the Tribal Council or the Grant School Board.

Effect

Belcourt Public School District may not be in compliance with its own internal control policies surrounding the Indian School Equalization Program grant which could impact funding for the grant in future periods.

Cause

Belcourt School District's internal controls did not ensure the report was presented during the usual presentation period, which resulted in the lack of presentation of this report during Fiscal Year 2019.

Criteria

Belcourt Public School District's internal control over the Indian School Equalization Program grant agreement states "The student testing report is reviewed with the Tribe Council once a year."

Questioned Costs

None.

Prior Recommendation

No.

Recommendation

We recommend Belcourt Public School District review the Annual Student Testing Report with the Tribal Council and the Grant School Board. We further recommend Belcourt Public School District monitor its internal controls of ensuring the report is presented during each fiscal year.

Belcourt Public School District's Response and Corrective Actions

See Corrective Action Plan.



Turtle Mountain Community School

Belcourt School District No. 7

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We Are An Equal Opportunity Employer

Date: April 7, 2020
To: Joshua C. Gallion, ND State Auditor
FROM: Duane Poitra, Business Manager
RE: Belcourt Public School District – FY2019 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Duane Poitra, Business Manager

Section I – Financial Statement Findings:

2019-001 MATERIAL WEAKNESS – ADJUSTING JOURNAL ENTRIES

Condition:

Belcourt Public School District currently does not prepare the various adjusting entries to properly reflect the financial statements in accordance with the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the adjusting entries to the financial statements.

Corrective Action Plan:

The Belcourt Public School District management will not address identifying number 2019-001, “Adjusting Journal Entries”, as the Belcourt Public School District management remains resolute at this time to continue having the “auditors” do the financial adjusting journal entries for the District. The District has decided to accept the degree of risk associated with the District not conducting its own adjusting journal entries due to the time and expense necessary to have staff prepare the entries prior to the annual audit. The Belcourt Public School District management maintains it is beneficial for continuation of adjusting journal entries being made by the auditors.

Anticipated Completion Date:

Fiscal Year 2019-20

2019-002 MATERIAL WEAKNESS – FINANCIAL STATEMENT PREPARATION

Condition:

Belcourt Public School District currently does not prepare the financial statements, including the accompanying note disclosures, as required by the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Corrective Action Plan:

The Belcourt Public School District management will not address identifying number 2019-002, “Financial Statement Preparation”, as District management remains resolute at this time to continue having the “auditors” do the financial statement preparation for the District. The District has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit. The Belcourt Public School District management maintains it is beneficial for continuation of Financial Statement Preparation being made by the auditors.

Anticipated Completion Date:

Fiscal Year 2019-20

2019-003 MATERIAL WEAKNESS – BYPASSING PURCHASING POLICY**Condition:**

Belcourt Public School District specifically directed a vendor to split an invoice in order to get below the Superintendent's signature authority of \$10,000.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-003, “Bypassing Purchasing Policy”, by first clarifying the intent of the District’s Purchasing Policy with the Superintendent and School Board. After review of the transaction in question with District administrative staff and the auditors, no issue was found with the purchase and the request for payment. An issue surfaced likely due to a misunderstanding of policy that resulted in a vendor being asked to break-up an invoice over \$10,000 into two separate invoices; there was no need to separate the invoice as policy was followed by the purchasing agent in making the purchase. Belcourt School District will review this policy with the Superintendent and School Board to achieve an understanding and thereafter determine if there is a need to revise the District Purchasing Policy.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-004 MATERIAL WEAKNESS – CONFLICT OF INTEREST**Condition:**

During the review of the Belcourt Public School District board meeting minutes, it was noted that possible conflicts of interest may have occurred involving immediate family of board members without recuse.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-04 “Conflict of Interest” by making arrangements for the Belcourt Public School District Board to receive training about conflict of interest from the North Dakota School Boards Association as well as from an independent legal counsel who specializes in school law in the state of North Dakota. The training will be geared towards North Dakota Century Code 44-04-22. Conflict of interest law and 15.1-07-17. School district contracts - Conflict of interest – Penalty, which will provide a better understanding of the laws as they apply to school boards as well as individual school board members.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-005 MATERIAL WEAKNESS– STUDENT ACTIVITY FUND REPORTING

Condition:

Belcourt Public School District does not report revenues from gate fees for various school related events in the student activity fund.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-05 “Student Activity Fund Reporting” by working towards adopting a formal agreement, subject to Belcourt Public School District Board approval, with the Turtle Mountain Band of Chippewa Tribe (Tribe) specifying the responsibilities and rights over the collection of revenue from gate fees to ensure compliance with N.D.C.C. §15.1-07-10.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-006 SIGNIFICANT DEFICIENCY – FRAUD RISK ASSESSMENT

Condition:

Belcourt Public School District does not currently prepare a fraud risk assessment of the entire entity.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-06 “Fraud Risk Assessment” by preparing a fraud risk assessment for all District financial areas such as accounting, payroll, purchasing, contracting and information technology. The District will assemble a diverse team consisting of administrators, managers, directors, board members and outside consultants to prepare a fraud risk assessment tool. The fraud risk assessment would include development of anti-fraud controls to establish consistency to determine or identify potential fraud risks. Therefore, anti-fraud controls should be designed appropriately and executed by competent, objective and segregated individuals.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-007 SIGNIFICANT DEFICIENCY – NONCOMPLIANCE WITH LEAVE POLICY

Condition:

Belcourt Public School District had multiple employees with annual or personal leave balances above the maximum allowed based on the annual and personal leave policies.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-07 “Non-Compliance With Leave Policy” by directing business office to creating a list of all employees at the beginning of each fiscal year specifying annual and personal leave balances. Employees that are

identified as beyond the 240-hour balance at that time will be notified that they can potentially lose annual or personal leave that is in excess of 240 hours. These employees will also be made aware of other options besides loss of leave as to use leave prior to the deadline date, which is the pay period that includes the first day of the normal school calendar term of each fiscal year, or request payment for at least the leave that is in excess of the 240 hour balance. The business office will take appropriate action according to policy based on the response of the employee.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-008 SIGNIFICANT DEFICIENCY – CAPITAL ASSET RECORDS

Condition:

Belcourt Public School District has assets on its capital asset listing that it no longer owns. Additionally, it is depreciating assets that are below its capitalization policy threshold of \$5,000 and was unable to provide a current year depreciation listing by function.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-08 “Capital Asset Records” by reviewing capital assets quarterly to ensure the accuracy of the capital asset schedules. The District utilizes the inventory module on Software Unlimited to track its assets. The District fixed asset capitalization level is \$5,000. The District will discontinue the current practice of including purchased single items (computers, lap tops, ipads, etc.) under \$5,000 for tracking purposes in the accounting system inventory module. The District inventory officer will develop a new process or system of monitoring items requiring tracking purchased under the amount \$5,000. Capital asset items will continue to be assigned with tag numbers, cost, purchase dates, location, depreciation rates, and categorized area of use. The inventory officer will track new assets and removed assets as well as compare current year depreciation to prior year depreciation. The inventory officer will attend training on the process of reporting capital assets and develop a separation of assets by function.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-009 SIGNIFICANT DEFICIENCY – UNCASHED CHECKS

Condition:

Belcourt Public School District failed to remit outstanding checks, which remained uncashed for more than two years, to the administrator of the state treasury.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-09 “Uncashed Checks” by monitoring dates of outstanding checks during monthly check reconciliation to uncover checks which have remained uncashed for more than two years; such uncashed checks will be remitted to the administrator of the state treasury in compliance with N.D.C.C. §47-30.1-02.1(1),(2) .

Anticipated Completion Date:

Fiscal Year 2020-21

2019-010 SIGNIFICANT DEFICIENCY – LACK OF SUPPORTING DOCUMENTATION**Condition:**

Belcourt Public School District did not obtain adequate support documentation for six out of eight invoices that were tested relating to a contract that was entered into for drug testing services.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-10 “Lack of Supporting Documentation” by ensuring all invoices and payments made to contractors will have adequate detailed supporting documentation prior to release of payment. The Business Manager will direct that billings or invoices lacking adequate detailed supporting documentation and dates of service will be returned to purchasing agent to request vendor provide the additional documentation. The signatory of signed contracts will be ultimately responsible to ensure compliance of the contract by vendor prior to submission of invoices or billings for payment. The Business Manager will revise Internal Controls to clarify responsibilities of business office staff and contract signers in assuring requisitions, purchase orders and vouchers are submitted for payment with adequate supporting documentation. The Business Manager will present revised Internal Controls to the school board and also meet with the purchasing agents to inform them of requirements of supporting documentation required what is needed with payments to contractors and other invoices.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-011 SIGNIFICANT DEFICIENCY – RODEO EVENT ACTIVITY**Condition:**

Belcourt Public School District accounted for revenue and expenditures of a privately held rodeo event within the student activity fund.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-11 “Rodeo Event Activity” by ensuring the local privately held adult rodeo event will not be accounted for by the District. The District will continue to host a rodeo for school aged children under the school’s rodeo club. The Belcourt Public School District will ensure that all transactions that occur within the student activity fund are appropriate and in compliance with N.D.C.C. §15.1-07-10.

Anticipated Completion Date:

Fiscal Year 2020-21

2019-012 SIGNIFICANT DEFICIENCY – UNDERPLEDGED SECURITIES**Condition:**

Belcourt Public School District did not have adequate pledge of securities for all bank accounts as of June 30, 2019.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-12 “Under Pledged Securities” by establishing an internal control to monitor, on a quarterly basis, pledged securities at financial institution that previously did not have adequate pledged securities to ensure the securities pledged by this financial institution exceed 110% of FDIC Insurance held. The District internal control will also include reporting in writing to this financial institution of any anticipated major fluctuations in the bank balance that may require increased pledged securities. Should the financial institution determine it does not have the feasibility to maintain adequate collateral secured, the District will move funds from that financial institution to another that can provide adequate securities to pledge.

Anticipated Completion Date:

Fiscal Year 2019-20

2019-013 SIGNIFICANT DEFICIENCY – ATTENDANCE AWARDS**Condition:**

During Fiscal Year 2019, Belcourt Public School District used General Fund resources to award various students a total of \$34,750 related to attendance.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-13 “Attendance Awards” by discontinuance of disbursements of monetary attendance awards to its students.

Anticipated Completion Date:

Fiscal Year 2019-20

2019-014 MATERIAL WEAKNESS – LACK OF FORMAL APPROVAL OF PLEDGE OF SECURITIES**Condition:**

Belcourt Public School District does not have internal controls in place to ensure the Indian School Equalization Program Grant funds are adequately pledged with a financial institution.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-14 “Lack of Formal Approval of Pledge of Securities” by establishing an internal control to monitor, on a quarterly basis, pledged securities at financial institution that previously did not have adequate pledged securities to ensure the securities pledged by this financial institution exceed 110% of FDIC Insurance held. The District internal control will also include reporting in writing to this financial institution of any anticipated major fluctuations in the bank balance that may require increased pledged securities. Should the financial institution determine it does not have the feasibility to maintain adequate collateral secured, the District will move funds from that financial institution to another that can provide adequate securities to pledge.

Anticipated Completion Date:

Fiscal Year 2019-20

2019-015 MATERIAL WEAKNESS – PRESENTING STUDENT TESTING REPORTS TO TRIBE**Condition:**

Belcourt Public School District submits, but does not formally review, the Student Testing Annual Report with the Tribal Council or the Grant School Board.

Corrective Action Plan:

The Belcourt Public School District management will address identifying number 2019-15 “Presenting Student Testing Reports to Tribe” by the Superintendent taking responsibility to schedule a meeting with the Turtle Mountain Band of Chippewa Tribal Chairman and Council/100-297 Grant School Board prior to October 1st to review the high school’s Annual Student Testing Report information. The Superintendent, after July 1, will communicate, in writing, directives to the High School Principal to begin compiling the Annual Student Testing Report and once meeting is scheduled, to attend meeting with Tribal Chairman and Council/100-297 Grant School Board to present final the Annual Student Testing Report for prior school year.

Anticipated Completion Date:

September 30, 2020



Turtle Mountain Community School Belcourt School District No. 7

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We Are An Equal Opportunity Employer

Date: April 7, 2020
To: Joshua C. Gallion, ND State Auditor
FROM: Duane Poitra, Business Manager
RE: Belcourt Public School District – FY2018 Schedule of Prior Audit Findings

Contact Person: Duane Poitra, Business Manager
Section I – Financial Statement Findings:

2018 – A. Preparation of Financial Statements

Status:

The Belcourt Public School District management will not address “Preparation of Financial Statements” as District management remains resolute at this time to continue having the “auditors” do the financial statement preparation for the District. The District has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit. The Belcourt Public School District management maintains it is beneficial for continuation of financial statement preparation being made by the auditors.

Anticipated Completion Date:

Fiscal Year 2019-20

2018 – B Material Journal Entries

Status:

The Belcourt Public School District management will not address “Material Journal Entries”, as the Belcourt Public School District management remains resolute at this time to continue having the “auditors” do the financial material journal entries for the District. The District has decided to accept the degree of risk associated with the District not conducting its own material journal entries due to the time and expense necessary to have staff prepare the entries prior to the annual audit. The Belcourt Public School District management maintains it is beneficial for continuation of material journal entries being made by the auditors.

Anticipated Completion Date:

Fiscal Year 2019-20

2018 – C Uncashed Checks

Status:

The Belcourt Public School District management will address “Un Cashed Checks” by monitoring dates of outstanding checks during monthly check reconciliation to uncover checks which have remained uncashed for more than two years; such uncashed checks will be remitted to the administrator of the state treasury in compliance with N.D.C.C. §47-30.1-02.1(1),(2) .

Anticipated Completion Date:

Fiscal Year 2020-21

STATE AUDITOR
Joshua C. Gallion



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GOVERNANCE COMMUNICATION

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

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Belcourt Public School District #7, North Dakota, for the year ended June 30, 2019 which collectively comprise Belcourt Public School District #7's basic financial statements, and have issued our report thereon dated April 13, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated February 22, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Belcourt Public School District #7's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Belcourt Public School District #7's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Belcourt Public School District #7 are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule below lists all misstatements detected as a result of audit procedures that were corrected by management.

	Client Provided Adjustments		Audit Adjustments		Total Adjustments	
	Debit	Credit	Debit	Credit	Debit	Credit
Revenues	-	-	5,100	-	5,100	-
Due From	-	-	-	5,100	-	5,100
Payroll Payable	-	-	1,741,933	-	1,741,933	-
Accounts Payable	-	-	5,243	-	5,243	-
Carry Over SUTA	-	-	65,000	-	65,000	-
Expenditures	-	-	-	1,812,176	-	1,812,176

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 13, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the School Board and management of Belcourt Public School District #7, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Belcourt Public School District #7 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Belcourt Public School District #7.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
April 13, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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