

MONTPELIER PUBLIC SCHOOL DISTRICT
MONTPELIER, NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

MONTPELIER PUBLIC SCHOOL DISTRICT

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MONTPELIER PUBLIC SCHOOL DISTRICT
LIST OF OFFICIALS
JUNE 30, 2019

BOARD OF EDUCATION

Tony Roorda
Scott Harms
Robert Froelich
Abram Valenta
Dustin Lien
Lynn Boom
Jeff Jensen

OFFICE
President
Vice-president

ADMINISTRATION

Jerry Waagen
Amy Maurer

Superintendent
Business manager

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

School Board
Montpelier Public School District
Montpelier, North Dakota

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

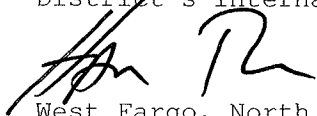
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montpelier Public School District as of June 30, 2019 and 2018, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the years then ended, in conformance with the modified cash basis of accounting.

Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated April 25, 2020, on my considerations of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



West Fargo, North Dakota
April 25, 2020

MONTPELIER PUBLIC SCHOOL
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS
 JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash and investments	638,819.22
Capital assets (net of accumulated depreciation)	768,632.64
Total Assets	1,407,451.86
 LIABILITIES	
Total liabilities	-
 NET POSITION	
Net investment in capital assets	768,632.64
Restricted for:	
Capital projects	48,635.62
Special purpose	11,686.54
Unrestricted	578,497.06
Total net position	1,407,451.86

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

MONTPELIER PUBLIC SCHOOL
 STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (expense) Revenue & Change in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Regular	1,102,169.17		231,656.75	(870,512.42)
Special Education	120,333.93		48,062.93	(72,271.00)
Vocational Education	42,932.08		-	(42,932.08)
Support Services				
Administrative	321,135.12			(321,135.12)
Operation & maintenance	133,760.77			(133,760.77)
Pupil Transportation Services	205,571.98		117,894.00	(87,677.98)
Extracurricular	30,612.83			(30,612.83)
Food Service	80,390.92	28,084.35	42,052.23	(10,254.34)
Debt Service				
Interest expense				-
Capital outlays	17,026.07			(17,026.07)
Total Governmental Activities	2,053,932.87	28,084.35	439,665.91	(1,586,182.61)
General Revenues				
Taxes:				
Property taxes				446,948.14
Per pupil aid				1,209,944.79
Interest income and other revenue				8,121.89
Total general revenues				1,665,014.82
Change in Net Position				78,832.21
Net Position- July1				1,328,619.65
Net Position- June 30				1,407,451.86

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

MONTPELIER PUBLIC SCHOOL
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 JUNE 30, 2019

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	578,497.06	48,635.62	11,686.54	638,819.22
				-
				-
				-
				-
Total Assets	578,497.06	48,635.62	11,686.54	638,819.22
 LIABILITIES				
 Total liabilities				
 FUND BALANCE				
Restricted for Capital Projects		48,635.62	-	48,635.62
Restricted for General Purposes		-	11,686.54	11,686.54
Unassigned	578,497.06	-	-	578,497.06
Total fund balance	578,497.06	48,635.62	11,686.54	638,819.22
Total liabilities and fund balance	578,497.06	48,635.62	11,686.54	638,819.22

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

MONTPELIER PUBLIC SCHOOL
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

Total Fund Balances for Governmental Funds	638,819.22
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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 governmental funds

Cost of capital assets	1,256,204.56	
Less accumulated depreciation	487,571.92	
Net capital assets		768,632.64

Total Net Position of Governmental Activities	1,407,451.86
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The accompanying notes are an integral part of these financial statements.

MONTPELIER PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2019

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	416,125.04	30,823.10		446,948.14
Other local sources	7,537.93	-	28,591.90	36,129.83
State sources	1,375,978.13	-	747.93	1,376,726.06
Federal sources	231,656.75	-	41,304.30	272,961.05
Total Revenues	2,031,297.85	30,823.10	70,644.13	2,132,765.08
Current:				
Instruction				
Regular	1,102,169.17			1,102,169.17
Special Education	120,333.93			120,333.93
Vocational Education	42,932.08			42,932.08
Support Services				
Administrative	321,135.12			321,135.12
Operation & maintenance	110,395.78			110,395.78
Pupil Transportation Services	160,126.21			160,126.21
Extracurricular	30,612.83			30,612.83
Food Service	11,075.90	-	69,315.02	80,390.92
Debt Service				
Principal				-
Interest expense				-
Capital outlays	-	17,026.07	-	17,026.07
Total Expenditures	1,898,781.02	17,026.07	69,315.02	1,985,122.11
Excess revenues (expenditures)	132,516.83	13,797.03	1,329.11	147,642.97
Other Financing Sources (Uses):				
Transfers in				-
Transfers out				-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	132,516.83	13,797.03	1,329.11	147,642.97
Fund balance- July 1	445,980.23	34,838.59	10,357.43	491,176.25
Fund balance- June 30	578,497.06	48,635.62	11,686.54	638,819.22

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

MONTPELIER PUBLIC SCHOOL
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances- Total Governmental Funds 147,642.97

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

Governmental funds report capital outlay 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 capital outlays exceeded depreciation in the current year.

Current year capital outlay	-	
Current year depreciation expense	68,810.76	(68,810.76)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. -

Change in Net Position of Governmental Activities 78,832.21

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

MONTPELIER PUBLIC SCHOOL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2019

AGENCY
FUNDS

ASSETS

Cash and investments

21,766.40

Total Assets

21,766.40

LIABILITIES

Due to Student Groups

21,766.40

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

MONTPELIER PUBLIC SCHOOL
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	491,176.25
Capital assets (net of accumulated depreciation)	837,443.40
Total Assets	1,328,619.65
LIABILITIES	
Total liabilities	-
NET POSITION	
Net investment in capital assets	837,443.40
Restricted for:	
Capital projects	34,838.59
Special purpose	10,357.43
Unrestricted	445,980.23
Total net position	1,328,619.65

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

MONTPELIER PUBLIC SCHOOL
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (expense) Revenue & Change: in Net Position
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction				
Regular	947,531.41		73,764.75	(873,766.66)
Special Education	101,923.21		47,734.18	(54,189.03)
Vocational Education	42,565.05		-	(42,565.05)
Support Services				
Administrative	303,844.37			(303,844.37)
Operation & maintenance	130,986.48			(130,986.48)
Pupil Transportation Services	241,377.18		107,341.50	(134,035.68)
Extracurricular	32,439.61			(32,439.61)
Food Service	89,182.59	33,203.26	48,784.90	(7,194.43)
Capital outlays	6,277.40			(6,277.40)
Total Governmental Activities	1,896,127.30	33,203.26	277,625.33	(1,585,298.71)
General Revenues				
Taxes:				
Property taxes				462,315.59
Per pupil aid				1,186,458.08
Interest income and other revenue				6,021.44
Total general revenues				1,654,795.11
Change in Net Position				69,496.40
Net Position- July 1				1,259,123.25
Net Position- June 30				1,328,619.65

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

MONTPELIER PUBLIC SCHOOL
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 JUNE 30, 2018

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	445,980.23	34,838.59	10,357.43	491,176.25
				-
				-
				-
				-
Total Assets	445,980.23	34,838.59	10,357.43	491,176.25
LIABILITIES				
Accounts Payable				-
				-
	-	-	-	-
				-
Total liabilities	-	-	-	-
FUND BALANCE				
Restricted for Capital Projects		34,838.59	-	34,838.59
Restricted for General Purposes		-	10,357.43	10,357.43
Unassigned	445,980.23	-	-	445,980.23
Total fund balance	445,980.23	34,838.59	10,357.43	491,176.25
Total liabilities and fund balance	445,980.23	34,838.59	10,357.43	491,176.25

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

MONTPELIER PUBLIC SCHOOL
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Total Fund Balances for Governmental Funds	491,176.25
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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 governmental funds

	1,256,204.56	
Cost of capital assets	418,761.16	
Less accumulated depreciation		
Net capital assets		837,443.40

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net position. Balances at June 30 are:

Bonds payable		-
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Total Net Position of Governmental Activities	1,328,619.65
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The accompanying notes are an integral part of these financial statements.

MONTPELIER PUBLIC SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2018

	GENERAL	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	436,538.59	25,777.00		462,315.59
Other local sources	5,969.88	-	33,107.13	39,077.01
State sources	1,341,681.45	-	714.43	1,342,395.88
Federal sources	73,764.75	-	48,070.47	121,835.22
Total Revenues	1,857,954.67	25,777.00	81,892.03	1,965,623.70
Current:				
Instruction				
Regular	947,531.41			947,531.41
Special Education	101,923.21			101,923.21
Vocational Education	42,565.05			42,565.05
Support Services				
Administrative	303,844.37			303,844.37
Operation & maintenance	107,621.48			107,621.48
Pupil Transportation Services	242,431.41			242,431.41
Extracurricular	32,439.61			32,439.61
Food Service	7,668.20	-	81,514.39	89,182.59
Debt Service				
Principal				-
Interest expense				-
Capital outlays	245,240.00	93,396.55	-	338,636.55
Total Expenditures	2,031,264.74	93,396.55	81,514.39	2,206,175.68
Excess revenues (expenditures)	(173,310.07)	(67,619.55)	377.64	(240,551.98)
Other Financing Sources (Uses):				
Transfers in				-
Transfers out				-
Bond proceeds				-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(173,310.07)	(67,619.55)	377.64	(240,551.98)
Fund balance- July1	619,290.30	102,458.14	9,979.79	731,728.23
Fund balance- June 30	445,980.23	34,838.59	10,357.43	491,176.25

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

MONTPELIER PUBLIC SCHOOL
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances- Total Governmental Funds (240,551.98)

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

Governmental funds report capital outlay 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 capital outlays exceeded depreciation in the current year.

Current year capital outlay	376,859.15	
Current year depreciation expense	66,810.77	310,048.38

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. -

Change in Net Position of Governmental Activities 69,496.40

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

MONTPELIER PUBLIC SCHOOL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

AGENCY
FUNDS

ASSETS

Cash and investments

19,280.43

Total Assets

19,280.43

LIABILITIES

Accounts Payable

Due to Student Groups

19,280.43

Total liabilities

19,280.43

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

MONTPELIER PUBLIC SCHOOL DISTRICT
MONTPELIER, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Montpelier Public School District (District) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government, the 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 nonexchange transactions.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the district's funds including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds

Building fund. The Building fund is used to account for building construction and repairs.

The district reports the following fund types:

Agency Funds. These funds account for assets by the district in a custodial capacity as an agent on behalf of others. The District's agency fund is used to account for various deposits of the student activity funds.

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

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive of accounting other than accounting principles generally accepted in the United States of America.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

D. Budgets

Based upon available financial information and requests by the school board, the superintendent and business manager prepares the school district budget. The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

District taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county auditor by August 25. The governing body of the school district may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. 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.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Property, plant, and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Temporary or Wood Structures	20
Vehicles	10
Equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The school board has not set a General Fund minimum fund balance.

I. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board did not amend the District budget for 2019.

EXPENDITURES OVER APPROPRIATIONS

The school district did not overspend the budget for any individual funds. No remedial action is required by the district.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the District 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 other 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 deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any District, District, 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.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

At June 30, 2019, the District's carrying amount of deposits was \$516,355. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$266,355 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as and agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and 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 on property taxes 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.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

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

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets				
Construction in progress	90,015	332,359	422,374	
Buildings and Improvements	378,450	422,374		800,824
Vehicles & Equipment	410,880	44,500		455,380
Total Cap Assets	879,345	799,233	422,374	1,256,204
Less accumulated depreciation for:				
Buildings & Imp	224,737	21,370		246,107
Vehicles & Equipment	127,213	45,441		172,654
Total Accumulated Dep	351,950	66,811		418,761
Total Capital Assets, Net	527,395			837,443

Depreciation Expense was charged to functions/programs of the school district as follows:

Governmental Activities:	
Operation	23,365
Transportation	<u>43,446</u>
Total	66,811

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

	Balance July 1	Increases	Decreases	Balance June 30
Capital assets				
Buildings and Improvements	800,824			800,824
Vehicles & Equipment	455,380			455,380
Total Cap Assets	1,256,204			1,256,204
Less accumulated depreciation for:				
Buildings & Imp	246,107	21,370		267,477
Vehicles & Equipment	172,654	47,441		220,095
Total Accumulated Dep	418,761	68,811		487,572
Total Capital Assets, Net	837,443			768,632

Depreciation Expense was charged to functions/programs of the school district as follows:

Governmental Activities:	
Operation	23,365
Transportation	<u>45,446</u>
Total	68,811

NOTE 6. LONG-TERM DEBT

The District has no outstanding debt.

MONTPELIER PUBLIC SCHOOL DISTRICT
Notes to Financial Statements- Continued

NOTE 7: PENSION PLANS

North Dakota Teachers Fund for Retirement TFFR

The school district contributes to the North Dakota Teachers Fund for retirement (TFFR), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. Detailed information about the report may be obtained on the NDPERS website <http://ndpers.nd.gov/about/financial/annual-report-archive/>.

Plan members are required to contribute 11.75% of their annual covered salary and the District is required to contribute 12.75% of the teacher's salary. The contributions requirements of plan members and the District are established and may be amended by the State legislature. The District's contributions to TFFR for the fiscal years ended June 30, 2019, 2018 and 2017 were \$103,129, \$99,556, and \$96,599, respectively.

NOTE 8: RISK MANAGEMENT

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

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

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The district has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

MONTPELIER PUBLIC SCHOOL DISTRICT

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

JUNE 30, 2019 AND 2018

MONTPELIER PUBLIC SCHOOL DISTRICT
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Harold J. Rotunda

Certified Public Accountant

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

School Board
Montpelier Public School District
Montpelier, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montpelier Public School District as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated April 25, 2020.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2019-1 and 2019-2).

Compliance and Other Matters

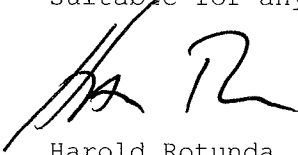
As part of obtaining reasonable assurance about whether Montpelier Public School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

District's Response to Findings

Montpelier Public School District's response to the finding identified in my audit is described in the accompanying schedule of findings. Montpelier Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Harold Rotunda, CPA
April 25, 2020

MONTPELIER PUBLIC SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified not Considered to be material weaknesses	<u> X </u>	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	<u> X </u>	No

Section II- Financial Statement Findings

2019-001 Segregation of Duties

Criteria

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the District.

Condition

The Business Manager of the District is responsible for all accounting functions involved. The employee handles all income of monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Cause

The Business Manager is the only employee and due to the District's size, they are unable to hire additional staff.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The District should separate the duties when it becomes feasible.

MONTPELIER PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Business Manager to receipt and deposit at the various financial institutions. The Superintendent reviews bills before payments are made. The Board reviews and approves all checks written. The District will segregate other duties when feasible.

2019-002 Financial Statement Preparation

Criteria

An appropriate system of internal controls requires that a District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the District's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The District's auditor prepared the financial statements for the years ended. In addition, adjusting entries were proposed to bring the financial statements into compliance with the modified cash basis of accounting (MCB). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with MCB. This requires the District's personnel to maintain a working knowledge of current accounting principles in accordance with MCB.

Cause

The District does not have the resources to prepare full modified cash basis financial statements.

Effect

The District currently does not maintain the working knowledge of current accounting principles for the modified cash basis and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with the modified cash basis.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response

Management agrees that it is currently not cost-effective.