

**BELCOURT PUBLIC SCHOOL DISTRICT #7  
BELCOURT, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Balance Sheet - Governmental Funds - Modified Cash Basis	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position - Modified Cash Basis	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis	9
Statement of Fiduciary Assets and Liabilities – Modified Cash Basis	10
Notes to the Basic Financial Statements	11
<b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule for the General Fund	28
Note to the Supplementary Information	29
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	32
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>33</b>
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>35</b>
Schedule of Findings and Questioned Costs	37
Summary Schedule of Prior Year Findings	42
Corrective Action Plan	57

## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belcourt Public School District #7, as of and for the year ended June 30, 2020, 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 as described in Note 1, this includes determining that the modified cash basis of accounting is an acceptable basis for presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Belcourt Public School District #7 as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

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

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary comparison schedule for the general fund is presented for purpose of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for the 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*, and is also not a required part of the financial statements.

The budgetary comparison schedule for the general fund and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the general fund and 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 our report dated March 10, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District'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 the District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

March 10, 2021

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**JUNE 30, 2020**

<b>ASSETS</b>	
Cash & Investments	\$ 7,508,915
Capital Assets	
Land	8,692,552
Buildings	3,398,274
Equipment	8,053,247
Vehicles	3,777,305
Less Accumulated Depreciation	<u>(9,469,757)</u>
Total Capital Assets	<u>14,451,621</u>
<b>TOTAL ASSETS</b>	<u>21,960,536</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Bonds Payable Within a Year	181,207
Total Current Liabilities	<u>181,207</u>
Long-Term Liabilities:	
Bonds Payable (Net of Current Portion)	4,025,526
Total Non-Current Liabilities	<u>4,025,526</u>
<b>TOTAL LIABILITIES</b>	<u>4,206,733</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	10,244,888
Unrestricted	<u>7,508,915</u>
<b>TOTAL NET POSITION</b>	<u>\$ 17,753,803</u>

See Notes to the Basic Financial Statements

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instructional Support Services	\$ 1,745,426	\$ -	\$ -	\$ (1,745,426)
Administration	1,905,142	-	-	(1,905,142)
Operations and Maintenance	1,510,145	-	-	(1,510,145)
Transportation	1,395,679	-	805,476	(590,203)
Regular Instruction	14,101,046	195,867	12,422,257	(1,482,922)
Special Education	4,081,245	-	1,904,336	(2,176,909)
Vocational Education	992,268	-	75,424	(916,844)
Extra-Curricular Activities	1,644,867	-	-	(1,644,867)
Food Services	2,351,884	15,756	1,630,551	(705,577)
Other Programs & Services	279,491	-	-	(279,491)
Interest and Fees on Long-Term Debt	119,906	-	-	(119,906)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 30,127,099</b>	<b>\$ 211,623</b>	<b>\$ 16,838,044</b>	<b>(13,077,432)</b>
<b>GENERAL REVENUES</b>				
Aids and Payments from the State				12,687,748
Gain on Sale of Asset				1,507
Miscellaneous Revenue				33,934
Unrestricted Investment Earnings				86,235
<b>TOTAL GENERAL REVENUES</b>				<b>12,809,424</b>
Change in Net Position				(268,008)
Net Position - Beginning				18,021,811
Net Position - Ending				<b>\$ 17,753,803</b>

See Notes to the Basic Financial Statements

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**BALANCE SHEET – GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**JUNE 30, 2020**

	General Fund	Food Service	Total Governmental Funds
<b>ASSETS</b>			
Cash & Investments	\$ 7,480,622	\$ 28,293	\$ 7,508,915
<b>FUND BALANCES</b>			
Assigned - Food Service	\$ -	\$ 28,293	\$ 28,293
Unassigned	7,480,622	-	7,480,622
<b>TOTAL FUND BALANCES</b>	<b>\$ 7,480,622</b>	<b>\$ 28,293</b>	<b>\$ 7,508,915</b>

See Notes to the Basic Financial Statements



**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2020**

Total fund balances - governmental funds \$ 7,508,915

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the government funds:

Cost of capital assets	\$ 23,921,378	
Less: accumulated depreciation	(9,469,757)	
Net		14,451,621

Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.

Bonds Payable	(4,095,000)	
Bond Premium	(111,733)	
		(4,206,733)

Net Position - Governmental Activities \$ 17,753,803

See Notes to the Basic 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, 2020**

	General Fund	Food Service	Total Governmental Funds
<b>REVENUES</b>			
Charges for Services	\$ 195,867	\$ 15,756	\$ 211,623
Revenue from State Sources	15,413,316	5,230	15,418,546
Revenue from Federal Sources	12,481,925	1,625,321	14,107,246
Interest	86,235	-	86,235
Other Revenue	33,934	-	33,934
<b>TOTAL REVENUES</b>	<b>28,211,277</b>	<b>1,646,307</b>	<b>29,857,584</b>
<b>EXPENDITURES</b>			
Current:			
Instructional Support Services	1,682,710	-	1,682,710
Administration	1,905,142	-	1,905,142
Operations and Maintenance	1,377,745	-	1,377,745
Transportation	1,395,679	-	1,395,679
Regular Instruction	13,599,328	-	13,599,328
Special Education	4,081,245	-	4,081,245
Vocational Education	992,268	-	992,268
Extra-Curricular Activities	1,644,867	-	1,644,867
Food Services	449,155	1,902,729	2,351,884
Other Programs & Services Function	279,491	-	279,491
Capital Outlay	2,288,903	-	2,288,903
Debt Service:			
Principal Retirement	170,000	-	170,000
Interest and Fiscal Charges on Long-Term Debt	126,113	-	126,113
<b>TOTAL EXPENDITURES</b>	<b>29,992,646</b>	<b>1,902,729</b>	<b>31,895,375</b>
Excess (Deficiency) of Revenues over Expenditures	(1,781,369)	(256,422)	(2,037,791)
<b>OTHER FINANCING SOURCES</b>			
Proceeds on Disposal of Capital Assets	29,536	-	29,536
Transfers Out	(88,546)	-	(88,546)
Transfers In	-	88,546	88,546
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(59,010)</b>	<b>88,546</b>	<b>29,536</b>
Net Change in Fund Balances	(1,840,379)	(167,876)	(2,008,255)
Fund Balance - Beginning of Year	9,321,001	196,169	9,517,170
Fund Balance - End of Year	<u>\$ 7,480,622</u>	<u>\$ 28,293</u>	<u>\$ 7,508,915</u>

See Notes to the Basic Financial Statements

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Total net change in fund balances - Governmental Funds \$ (2,008,255)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the useful lives as depreciation expense.

Capital Outlays	\$ 2,288,903	
Depreciation Expense	<u>(696,834)</u>	1,592,069

Net Book Value on Disposal of Asset (28,029)

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position. 170,000

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount by which current year amortization exceeds premiums and discounts. 6,207

Change in net position - Governmental Activities \$ (268,008)

See Notes to the Basic Financial Statements

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – MODIFIED CASH BASIS**  
**JUNE 30, 2020**

ASSETS	
Cash and Cash Equivalents	<u>\$ 70,023</u>
TOTAL ASSETS	<u><u>\$ 70,023</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 70,023</u>
TOTAL LIABILITIES	<u><u>\$ 70,023</u></u>

See Notes to the Basic Financial Statements

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

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 funds:

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.

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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

## **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**

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 – prepaid items or 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.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolution or ordinances of the school board – the Districts 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

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

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.

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 October 15.



**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

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.

### **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. Donated fixed assets are recorded at their acquisition values at the date of donation. 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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

**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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2020**

At year ended June 30, 2020, the School District's carrying amount of deposits totaled \$7,578,938, and the bank balances totaled \$9,578,912. The bank balances were covered by Federal Depository Insurance and 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 CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2020 was as follows:

	Balance 7/1/2019	Additions	Disposals	Balance 6/30/2020
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 7,116,984	\$ 1,575,568	\$ -	\$ 8,692,552
Total	<u>7,116,984</u>	<u>1,575,568</u>	<u>-</u>	<u>8,692,552</u>
Capital Assets Being Depreciated				
Buildings	3,398,274	-	-	3,398,274
Equipment	7,684,850	372,085	3,688	8,053,247
Vehicles	3,475,052	341,250	38,997	3,777,305
Total	<u>14,558,176</u>	<u>713,335</u>	<u>42,685</u>	<u>15,228,826</u>
Less Accumulated Depreciation				
Buildings	1,115,694	67,939	-	1,183,633
Equipment	5,372,284	376,120	3,688	5,744,716
Vehicles	2,299,601	252,775	10,968	2,541,408
Total	<u>8,787,579</u>	<u>696,834</u>	<u>14,656</u>	<u>9,469,757</u>
Net Capital Assets Being Depreciated	<u>5,770,597</u>	<u>16,501</u>	<u>28,029</u>	<u>5,759,069</u>
Net Capital Assets for Governmental Activities	<u>\$ 12,887,581</u>	<u>\$ 1,592,069</u>	<u>\$ 28,029</u>	<u>\$ 14,451,621</u>

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2020**

Depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 501,718
Support Services	62,716
Operation & Maint	132,400
Total	\$ 696,834

**NOTE 4 LONG-TERM LIABILITIES**

During the year ended June 30, 2020, the following changes occurred in governmental activities long-term liabilities:

	Balance 7/1/2019	Additions	Retirements	Balance 6/30/2020	Due in One Year
Construction Fund Bonds of 2010	\$ 4,265,000	\$ -	\$ 170,000	\$ 4,095,000	\$ 175,000
Premium on Bonds Payable	117,940	-	6,207	111,733	6,207
Total	\$ 4,382,940	\$ -	\$ 176,207	\$ 4,206,733	\$ 181,207

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

Year	Principal	Interest	Total
2021	\$ 175,000	\$ 120,938	\$ 295,938
2022	180,000	115,613	295,613
2023	185,000	110,138	295,138
2024	190,000	104,513	294,513
2025	195,000	98,738	293,738
2026-2030	1,080,000	399,863	1,479,863
2031-2035	1,245,000	225,937	1,470,937
2036-2038	845,000	39,904	884,904
Total	\$ 4,095,000	\$ 1,215,644	\$ 5,310,644

**NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

Substantially, all employees of the District are required by state law to belong to pension plans administered by the Teacher’s Fund for Retirement (TFFR) or the North Dakota Public Employees Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

**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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

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

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

### **Pension Benefits**

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

#### *Tier 1 Grandfathered*

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

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

#### *Tier 1 Non-grandfathered*

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

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

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

*Tier 2*

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

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

**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. 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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

**Plan Contributions**

For the year ended June 30, 2020, the District contributed \$1,162,391 to the plan.

**Pension Plan Fiduciary Net Position**

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

**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**

Benefits are set by statute. NDPERS has no provisions 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 was 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. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. 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**

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

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

### **Refunds of Member Account Balance**

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**

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 contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% 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

### **Plan Contributions**

For the year ended June 30, 2020, the District contributed \$404,043 to the plan.

### **Pension Plan Fiduciary Net Position**

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



**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

**NOTE 6 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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

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.

**Plan Contributions**

For the year ended June 30, 2020, the District contributed \$64,068 to the plan.

**Pension Plan Fiduciary Net Position**

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

**NOTE 7 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 (NDRIF), 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 NDRIF for its general liability, auto, personal injury and property damage, errors and omissions, and inland marine insurance coverage. The coverage by NDRIF 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 8 TRANSFERS**

The purpose of the \$88,546 transfer is to fund operations of the food service program.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

**NOTE 9 COMMITMENTS**

At June 30, 2020, the School District is constructing the TMCS Pre-k & Wrestling Facility, the District had completed \$8,692,552 with a remaining commitment of \$23,809.

**NOTE 10 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 11 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.

**NOTE 12 NEW PRONOUNCEMENTS**

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2020

with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides additional guidance for determining whether a primary government is financially accountable for a potential component unit.* This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the District's financial statements.

**NOTE 13 RECLASSIFICATIONS**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**NOTE 14 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 10, 2021, which is the date these financial statements were available to be issued.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Original and Final Budget	Actual	Over (Under) Final Budget
<b>REVENUES</b>			
Charges for Services	\$ 154,000	\$ 195,867	\$ 41,867
Revenue From State Sources	15,578,703	15,413,316	(165,387)
Revenue From Federal Sources	15,010,874	12,481,925	(2,528,949)
Interest	95,000	86,235	(8,765)
Other Revenue	40,374	33,934	(6,440)
<b>TOTAL REVENUES</b>	<b>30,878,951</b>	<b>28,211,277</b>	<b>(2,667,674)</b>
<b>EXPENDITURES</b>			
Current:			
Instructional Support Services	2,194,000	1,682,710	(511,290)
Administration	1,986,745	1,905,142	(81,603)
Operations and Maintenance	1,834,321	1,377,745	(456,576)
Transportation	1,400,632	1,395,679	(4,953)
Regular Instruction	15,606,715	13,599,328	(2,007,387)
Special Education	4,695,149	4,081,245	(613,904)
Vocational Education	1,044,285	992,268	(52,017)
Extra-Curricular Activities	1,761,820	1,644,867	(116,953)
Food Services	430,943	449,155	18,212
Other Programs & Services Function	307,257	279,491	(27,766)
Capital Outlay	1,761,820	2,288,903	527,083
Debt Service:			
Principal Retirement	170,000	170,000	-
Interest and Fiscal Charges on Long-Term Debt	135,688	126,113	(9,575)
<b>TOTAL EXPENDITURES</b>	<b>33,329,375</b>	<b>29,992,646</b>	<b>(3,336,729)</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,450,424)	(1,781,369)	669,055
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds From Disposal of Capital Asset	30,000	29,536	(464)
Transfers Out	(89,069)	(88,546)	523
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(59,069)</b>	<b>(59,010)</b>	<b>59</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(2,509,493)	(1,840,379)	669,114
Fund Balances - Beginning	9,321,001	9,321,001	-
Fund Balances - Ending	<u>\$ 6,811,508</u>	<u>\$ 7,480,622</u>	<u>\$ 669,114</u>

See Note to the Supplementary Information

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**NOTE TO THE SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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 October 10.
- 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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>CFDA #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Education</u>			
84.060	Indian Education Grants to Local Educational Agencies		\$ 424,830
84.041	Impact Aid		204,625
Special Education Grants to States			
84.027	Passed Through the ND State Department of Public Instruction	F84027	49,521
84.027	Passed Through the Turtle Mountain Band of Chippewa Indians	A19AV00792	<u>1,824,022</u>
Total Special Education Cluster (IDEA)			1,873,543
Targeted Support Grant			
84.287	Passed Through the ND State Department of Public Instruction	F84287	34,743
84.287	Passed Through the North Central Education Cooperative	NA	<u>24,203</u>
Total 84.287 - Targeted Support Grant			58,946
Chapter 1/TITLE I-Compensatory			
84.010	Passed Through the ND State Department of Public Instruction	F84010	2,569,556
84.010	Passed Through the Turtle Mountain Band of Chippewa Indians	A19AV00792	<u>1,407,835</u>
Total 84.010 Chapter 1/TITLE I - Compensatory			3,977,391
Title IV Transferability			
84.424	Passed Through the ND State Department of Public Instruction	F84424	245,073
84.424	Passed Through the Turtle Mountain Band of Chippewa Indians	A19AV00792	<u>1,197</u>
Total 84.424 Title IV Transferability			246,270
Passed Through the ND State Department of Public Instruction:			
84.358	Rural Education	F84358	35,162
84.367	Title II Part A - Teacher and Principal Quality	F84367	323,386
84.371	ND Striving Readers Comprehensive Literacy	F84371C	278,265
Passed Through North Valley Career-Tech Center:			
84.048	21st Century Community Learning Centers	F84048	98,083
Passed Through the Turtle Mountain Band of Chippewa Indians:			
84.181	IDEAC/Special Education - Grants for Infants and Families	A19AV00792	299,242
84.U01	GEARS	A19AV00792	300,653
84.336	Title II Part A - Teacher Quality Partnership Grants	A19AV00792	<u>260,310</u>
Total Department of Education			<u>8,380,705</u>

See Notes to the Schedule of Expenditures of Federal Awards



**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>CFDA #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
Child Nutrition Cluster:			
10.553	Child Nutrition - School Breakfast	F10553	\$ 217,435
10.555	Child Nutrition - School Lunch	F10555	595,858
10.555	Child Nutrition - Commodity Assistance	F10555	83,198
10.559	Summer Food Service	F10559	42,191
10.559	COVID-19 Summer Food Service	F10559	664,179
	Total Cluster		<u>1,602,861</u>
10.560	SAE Food Nutrition	F10560	11,230
10.582	Fruit and Vegetable Grant	F10582	48,420
	Total Department of Agriculture		<u>1,662,511</u>
<u>Department of Interior</u>			
Passed Through the Turtle Mountain Band of Chippewa Indians			
15.042	Indian School Equalization Program	A19AV00792	4,525,447
15.149	Program Adjustment	A19AV00792	45,605
15.151	Education Program Enhancements	A19AV00792	103,474
15.046	Administrative Cost Grants for Indian Schools	A19AV00792	520,334
15.045	Assistance for Indian Children with Severe Disabilities	A19AV00792	119,057
	Total Department of Interior		<u>5,313,917</u>
	TOTAL		<u>\$ 15,357,133</u>

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, 2020

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule of Expenditures of Federal Awards (the "Schedule") are reported on the modified cash basis of accounting. Such expenditures are recognized as the expenditures are paid.

**NOTE 2 INDIRECT COST RATE**

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

**NOTE 3 NONMONETARY TRANSACTIONS**

The District receives commodities through the food distribution program, the assistance is valued at the fair value of the commodities received and disbursed.

**NOTE 4 BASIS OF PRESENTATION / ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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 5 PASS-THROUGH ENTITIES**

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belcourt Public School District #7 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Belcourt Public School District #7's basic financial statements, and have issued our report thereon dated March 10, 2021.

### **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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 findings and questioned costs as items 2020-001 and 2020-002 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 findings and questioned costs as items 2020-003, and 2020-004 to be significant deficiencies.

### **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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Belcourt Public School District #7's Response to Findings**

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

### **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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

March 10, 2021

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

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

### Report on Compliance for Each Major Federal Program

We have audited Belcourt Public School District #7's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Belcourt Public School District #7's major federal programs for the year ended June 30, 2020. 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 of 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, 2020.

## 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

March 10, 2021

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued: Unmodified  
 Internal control over financial reporting:  
   Material weakness(es) identified?   x   yes    no  
   Significant deficiency(ies) identified that are  
   not considered to be material weaknesses?   x   yes    none reported

Non-compliance material to financial  
 statements noted?    yes   x   no

Federal Awards

Internal control over major programs:  
   Material weakness(es) identified?    yes   x   no  
   Significant deficiency(ies) identified that are  
   not considered to be material weaknesses?    yes   x   none reported

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  
 2 CFR 200.516(a)?    yes   x   no

Identification of major programs:

CFDA Number(s) Name of Federal Program of Cluster

84.027	Special Education Grants to States IDEA Cluster
15.042	Indian School Equalization Program
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?    yes   x   no

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2020-001 MATERIAL WEAKNESS – ADJUSTING JOURNAL ENTRIES**

**Condition**

Belcourt Public School District #7 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 the 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 #7 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 Finding**

Yes, 2019-001.

**Recommendation**

We recommend Belcourt Public School District #7 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.



**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-002 MATERIAL WEAKNESS – FINANCIAL STATEMENT PREPARATION**

**Condition**

Belcourt Public School District #7 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 the School District's financial statements.

**Cause**

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

**Criteria**

The 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 Finding**

Yes, 2019-002.

**Recommendation**

We recommend Belcourt Public School District #7 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 #7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-003 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 Finding**

Yes, 2019-006. Subsequent to year end, the District's management and Board created an overall fraud risk assessment of the District.

**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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**2020-004 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 Finding**

Yes, 2019-009. Subsequent to year end, the District's management and Board developed a process of identifying outstanding checks that should be remitted to the state treasury and has begun implementation.

**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.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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.

**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**

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.

**Corrective Action Taken**

None. See current year finding 2020-001.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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.

**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**

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.

**Corrective Action Taken**

None. See current year finding 2020-002.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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".

**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**

The District will clarify the intent of the District's Purchasing Policy with the Superintendent and School Board.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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".

**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**

The District will make 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.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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."

**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**

The District will work towards adopting a formal agreement, subject to Belcourt Public School District Board approval, with the Turtle Mountain Band of Chippewa 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.

**Corrective Action Taken**

Yes.



**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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.

**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**

The District will prepare 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.

**Corrective Action Taken**

None. See finding 2020-003.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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 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."

**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**

The District business office will create a listing 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 the 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.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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."

**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**

The District will review capital assets quarterly to ensure the accuracy of the capital asset schedules.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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."

**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**

The District will monitor 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).

**Corrective Action Taken**

None. See finding 2020-004.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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.

**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**

The District will ensure all invoice 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 invoice or billings for payment.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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."

**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**

The District will ensure the local privately held adult rodeo event will not be accounted for by the District.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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.”

**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**

The District will establish an internal control to monitor, on a quarterly basis, pledged securities at financial institution that previously did not have adequate pledged securities to ensure that 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.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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."

**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**

The District will discontinue the disbursements of monetary attendance awards to its students.

**Corrective Action Taken**

Yes.



**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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.

**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**

The District will establish an internal control to monitor, on a quarterly basis, pledged securities at financial institution that previously did not have adequate pledged securities to ensure that 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.

**Corrective Action Taken**

Yes.

**BELCOURT PUBLIC SCHOOL DISTRICT #7**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**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.

**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**

The District will have the Superintendent take responsibility to schedule a meeting with the Turtle Mountain Band of Chippewa Tribal Chairman and Council/100-297 Grant School Board prior to October 1<sup>st</sup> 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 the final Annual Student Testing Report for prior school year.

**Corrective Action Taken**

Yes.



# **TURTLE MOUNTAIN COMMUNITY SCHOOLS**

## **Belcourt School District No. 7**

**PO Box 440**

**Belcourt, North Dakota 58316**

**Phone: (701) 477-6471**

**Fax: (701) 477-6470**

### **Corrective Action Plan - June 30, 2020**

#### **2020-001 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 2020-001, “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 2020-21

#### **2020-002 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 2020-002, “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 2020-21

**2020-003 SIGNIFICANT DEFICIENCY – FRAUD RISK ASSESSMENT**

**Condition:**

Belcourt Public School Does not currently prepare a fraud risk assessment for the entire entity.

**Corrective Action Plan:**

The District will prepare 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, business manager, directors, and outside consultants to prepare a fraud risk assessment tool with responses. Anti-fraud risk assessment and controls will be designed appropriately and executed by competent, objective and segregated individuals. The fraud risk assessment will specify anti-fraud controls established by the school board to determine or identify potential fraud risks. The school board will provide review the completed fraud risk assessment and will provide comment, recommendations or policy changes as the school board deems necessary. Corrective action was executed and complete as of March 17, 2021.

**Anticipated Completion Date:**

Fiscal Year 2020-21

**2020-004 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 will ensure compliance with N.D.C.C. §47-30.1-02.1(1),(2) and N.D.C.C. §15.1 15.1-07-13 as well as remit outstanding checks which remain uncashed for more than two years to the state treasurer. Corrective action was executed and complete as of March 9, 2021.

**Anticipated Completion Date:**

Fiscal Year 2020-21