



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Oberon Public School District No. 16

Oberon, North Dakota

Audit Report for the Years Ended June 30, 2020 and June 30, 2019

Client Code: PS3340



Photo credit: North Dakota Tourism



Office of the
State Auditor



WHAT WE LOOKED AT

Our team reviewed financial transactions, expenditures, as well as compliance with laws and regulations.

WHAT WE FOUND



Payments Without Evidence of Services

Oberon Public School District issued \$230,595 in payments for consulting and grant writing services. Our team did not find any evidence of services received for these payments.

Read more on page 37



Independent Contractor Selected Without Documentation

No documentation was kept surrounding the selection process of the "Construction Manager At-Risk" for the new Oberon Public School building.

Read more on page 42



Inadequate Documentation for Federal Funding

No documentation was kept surrounding the Impact Aid grant program.

Read more on page 45

ADDITIONAL CONCERNS IDENTIFIED



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

GOVERNOR REQUESTED AUDIT

The Governor of North Dakota requested this audit under
North Dakota State Law 54-10-15.

OBERON PUBLIC SCHOOL DISTRICT No. 16

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OBERON PUBLIC SCHOOL DISTRICT No. 16

School Officials and Audit Personnel

June 30, 2020 and 2019

SCHOOL OFFICIALS

June 30, 2020

Doris Griffin	President
Lane Adams	Board Member
Matt Friesen	Board Member
Sharon Mudgett	Board Member
Jordan Brown	Superintendent/Principal
Stephanie Anderson	Business Manager

June 30, 2019

Kim Krebsbach	President
Jacob Hegland	Vice-President
Karen Peterson	Board Member
Carolyn Nelson	Board Member
Lane Adams	Board Member
Lane Azure	Principal
Maria Dunlap	Business Manager

AUDIT PERSONNEL

Jonathan Worrall, CPA	Audit In-Charge
Heath Erickson, CPA	Audit Manager

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Oberon Public School Board
Oberon Public School District No. 16
Oberon, 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 the Oberon Public School District No. 16, Oberon, North Dakota, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Oberon Public School District No. 16's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oberon Public School District No. 16, Oberon, North Dakota, as of June 30, 2020 and 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, and notes to the required supplementary information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oberon Public School District No. 16's basic financial statements. The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, 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, are presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards* are the responsibility of management and were derived from and relates 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 *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2020 on our consideration of the Oberon Public School District No. 16'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 Oberon Public School District No. 16'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 Oberon Public School District No. 16's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 2, 2020

OBERON PUBLIC SCHOOL DISTRICT No. 16

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,071,319
Taxes Receivable	8,404
Capital Assets	
Nondepreciable	427,416
Depreciable, Net	<u>109,511</u>
 Total Assets	 <u>\$ 1,616,650</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension	<u>\$ 362,901</u>
 LIABILITIES	
Accounts Payable	\$ 27,501
Salaries and Benefits Payable	8,799
Unearned Revenue	98,235
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	12,945
Due After One Year	
Compensated Absences Payable	12,945
Net Pension Liability	<u>929,912</u>
 Total Liabilities	 <u>\$ 1,090,337</u>
 DEFERRED INFLOWS OF RESOURCES	
Derived from Pension	<u>\$ 195,185</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 536,927
Restricted for	
Capital Projects	372,921
Special Purposes	39,102
Unrestricted	<u>(254,921)</u>
 Total Net Position	 <u><u>\$ 694,029</u></u>

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				Governmental Activities
Regular Instruction	\$ 663,409	\$ -	\$ -	\$ (663,409)
Federal Programs	200,019	533,314	99,691	432,986
Administration	281,535	-	-	(281,535)
School Food Services	71,213	61,360	-	(9,853)
Operations and Maintenance	97,442	-	-	(97,442)
Transportation	92,578	53,547	-	(39,031)
Other Programs & Services	226,600	-	-	(226,600)
Total Governmental Activities	\$ 1,632,796	\$ 648,221	\$ 99,691	\$ (884,884)
General Revenues				
Property Taxes				\$ 154,612
Unrestricted State Aid				708,964
Interest Earnings				12,304
Miscellaneous Revenue				3,618
Total General Revenues				\$ 879,498
Changes in Net Position				\$ (5,386)
Net Position - July 1				\$ 699,415
Net Position - June 30				\$ 694,029

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 561,028	\$ 471,156	\$ 39,135	\$ 1,071,319
Taxes Receivable	8,404	-	-	8,404
Total Assets	<u>\$ 569,432</u>	<u>\$ 471,156</u>	<u>\$ 39,135</u>	<u>\$ 1,079,723</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 27,468	\$ -	\$ 33	\$ 27,501
Salaries Payable	8,799	-	-	8,799
Unearned Revenue	-	98,235	-	98,235
Total Liabilities	<u>\$ 36,267</u>	<u>\$ 98,235</u>	<u>\$ 33</u>	<u>\$ 134,535</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 8,404	\$ -	\$ -	\$ 8,404
Total Liabilities and Deferred Inflows of Resources	<u>\$ 44,671</u>	<u>\$ 98,235</u>	<u>\$ 33</u>	<u>\$ 142,939</u>
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ 372,921	\$ -	\$ 372,921
Assigned				
Special Reserve	-	-	34,824	34,824
Food Service	-	-	4,278	4,278
Unassigned	524,761	-	-	524,761
Total Fund Balances	<u>\$ 524,761</u>	<u>\$ 372,921</u>	<u>\$ 39,102</u>	<u>\$ 936,784</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 569,432</u>	<u>\$ 471,156</u>	<u>\$ 39,135</u>	<u>\$ 1,079,723</u>

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

June 30, 2020

Total Fund Balances for Governmental Funds	\$ 936,784
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	536,927
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.	8,404
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 362,901	
Deferred Inflows Related to Pensions	<u>(195,185)</u>	167,716

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Compensated Absences Payable	\$ (25,890)	
Net Pension Liability	<u>(929,912)</u>	<u>(955,802)</u>

Total Net Position of Governmental Activities	\$ <u>694,029</u>
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The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 163,690	\$ 5,500	\$ 311	\$ 169,501
State Sources	762,511	-	552	763,063
Federal Sources	533,313	99,691	60,808	693,812
Total Revenues	\$ 1,459,514	\$ 105,191	\$ 61,671	\$ 1,626,376
EXPENDITURES				
Regular Instruction	\$ 608,548	\$ -	\$ -	\$ 608,548
Federal Programs	200,019	-	-	200,019
Administration	273,870	-	-	273,870
School Food Services	-	-	71,210	71,210
Operations and Maintenance of Plant	96,274	-	-	96,274
Transportation	76,934	-	-	76,934
Other Programs and Services	226,600	-	-	226,600
Capital Outlay	-	99,691	-	99,691
Total Expenditures	\$ 1,482,245	\$ 99,691	\$ 71,210	\$ 1,653,146
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,731)	\$ 5,500	\$ (9,539)	\$ (26,770)
Fund Balances - July 1	\$ 547,492	\$ 367,421	\$ 48,641	\$ 963,554
Fund Balances - June 30	\$ 524,761	\$ 372,921	\$ 39,102	\$ 936,784

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2020

Net Change in *Fund Balances* - Total Governmental Funds \$ (26,770)

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

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

Current Year Capital Outlay	\$ 98,756	
Current Year Depreciation Expense	<u>(15,644)</u>	83,112

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This consists of the net change in Compensated Absences Payable.

12,656

The net pension liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are noreported in the funds.

Net Change in Net Pension Liability	\$ (236,493)	
Net Change in Deferred Outflows of Resources	117,317	
Net Change in Deferred Inflows of Resources	<u>43,758</u>	(75,418)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

1,034

Change in Net Position of Governmental Activities \$ (5,386)

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,100,084
Intergovernmental Receivable	108,115
Taxes Receivable	7,371
Capital Assets	
Nondepreciable	328,658
Depreciable, Net	<u>125,156</u>
 Total Assets	 <u>\$ 1,669,384</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension	<u>\$ 245,584</u>
 LIABILITIES	
Accounts Payable	\$ 45,613
Salaries and Benefits Payable	1,106
Unearned Revenue	197,926
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	19,273
Due After One Year	
Compensated Absences Payable	19,273
Net Pension Liability	<u>693,419</u>
 Total Liabilities	 <u>\$ 976,610</u>
 DEFERRED INFLOWS OF RESOURCES	
Derived from Pension	<u>\$ 238,943</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 453,814
Restricted for	
Capital Projects	367,421
Special Purposes	48,641
Unrestricted	<u>(170,461)</u>
 Total Net Position	 <u><u>\$ 699,415</u></u>

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Regular Instruction	\$ 646,512	\$ -	\$ -	\$ (646,512)
Federal Programs	239,626	799,847	271,223	831,444
Administration	59,379	-	-	(59,379)
School Food Services	51,532	38,759	-	(12,773)
Operations and Maintenance	80,087	-	-	(80,087)
Transportation	94,288	41,938	-	(52,350)
Co-curricular Activities	2,264	-	-	(2,264)
Other Programs & Services	147,502	-	-	(147,502)
Total Governmental Activities	\$ 1,321,190	\$ 880,544	\$ 271,223	\$ (169,423)
General Revenues				
Property Taxes				\$ 176,210
Unrestricted State Aid				599,983
Interest Earnings				13,137
Miscellaneous Revenue				10,321
Total General Revenues				\$ 799,651
Changes in Net Position				\$ 630,228
Net Position - July 1				\$ 69,187
Net Position - June 30				\$ 699,415

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Balance Sheet – Governmental Funds

June 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Investments	\$ 464,221	\$ 587,222	\$ 48,641	\$ 1,100,084
Intergovernmental Receivable	108,115	-	-	108,115
Taxes Receivable	7,371	-	-	7,371
Total Assets	<u>\$ 579,707</u>	<u>\$ 587,222</u>	<u>\$ 48,641</u>	<u>\$ 1,215,570</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 23,738	\$ 21,875	\$ -	\$ 45,613
Salaries Payable	1,106	-	-	1,106
Unearned Revenue	-	197,926	-	197,926
Total Liabilities	<u>\$ 24,844</u>	<u>\$ 219,801</u>	<u>\$ -</u>	<u>\$ 244,645</u>
Deferred Inflows of Resources				
Taxes Receivable	\$ 7,371	\$ -	\$ -	\$ 7,371
Total Liabilities and Deferred Inflows of Resources	<u>\$ 32,215</u>	<u>\$ 219,801</u>	<u>\$ -</u>	<u>\$ 252,016</u>
Fund Balances				
Restricted				
Capital Projects	\$ -	\$ 367,421	\$ -	\$ 367,421
Assigned				
Special Reserve	-	-	34,513	34,513
Food Service	-	-	14,128	14,128
Unassigned	547,492	-	-	547,492
Total Fund Balances	<u>\$ 547,492</u>	<u>\$ 367,421</u>	<u>\$ 48,641</u>	<u>\$ 963,554</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 579,707</u>	<u>\$ 587,222</u>	<u>\$ 48,641</u>	<u>\$ 1,215,570</u>

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

June 30, 2019

Total Fund Balances for Governmental Funds	\$ 963,554
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	453,814
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.	7,371
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 245,584	
Deferred Inflows Related to Pensions	<u>(238,943)</u>	6,641

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.

Compensated Absences Payable	\$ (38,546)	
Net Pension Liability	<u>(693,419)</u>	<u>(731,965)</u>

Total Net Position of Governmental Activities	\$ <u>699,415</u>
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The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	\$ 185,977	\$ 4,421	\$ 513	\$ 190,911
State Sources	641,921	-	70	641,991
Federal Sources	799,847	271,223	38,688	1,109,758
Other Local Sources	6,295	-	-	6,295
Total Revenues	\$ 1,634,040	\$ 275,644	\$ 39,271	\$ 1,948,955
EXPENDITURES				
Regular Instruction	\$ 687,571	\$ -	\$ -	\$ 687,571
Federal Programs	239,626	-	-	239,626
Administration	68,242	-	-	68,242
School Food Services	-	-	51,650	51,650
Operations and Maintenance of Plant	79,222	-	-	79,222
Transportation	78,644	-	-	78,644
Co-curricular Activities	2,264	-	-	2,264
Other Programs and Services	147,502	-	-	147,502
Capital Outlay	-	253,620	-	253,620
Total Expenditures	\$ 1,303,071	\$ 253,620	\$ 51,650	\$ 1,608,341
Excess (Deficiency) of Revenues Over Expenditures	\$ 330,969	\$ 22,024	\$ (12,379)	\$ 340,614
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ 250,000	\$ 14,000	\$ 264,000
Transfers Out	(264,000)	-	-	(264,000)
Total Other Financing Sources and Uses	\$ (264,000)	\$ 250,000	\$ 14,000	\$ -
Net Change in Fund Balances	\$ 66,969	\$ 272,024	\$ 1,621	\$ 340,614
Fund Balances - July 1	\$ 480,523	\$ 95,397	\$ 47,020	\$ 622,940
Fund Balances - June 30	\$ 547,492	\$ 367,421	\$ 48,641	\$ 963,554

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

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

Net Change in *Fund Balances* - Total Governmental Funds \$ 340,614

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

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

Current Year Capital Outlay	\$ 252,755	
Current Year Depreciation Expense	<u>(15,644)</u>	237,111

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This consists of the net change in Compensated Absences Payable.

(2,804)

The net pension liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are noreported in the funds.

Net Change in Net Pension Liability	\$ 35,898	
Net Change in Deferred Outflows of Resources	(12,232)	
Net Change in Deferred Inflows of Resources	<u>29,178</u>	52,844

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable.

2,463

Change in Net Position of Governmental Activities \$ 630,228

The notes to the financial statements are an integral part of this statement.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements

For the Years Ended June 30, 2020 and 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oberon Public School District No. 16 (hereafter referred to as "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

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

Based on these criteria, there are no component units to be included within the School District's reporting entity.

Basis of Presentation

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. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements. The fund financial statements provide information about the School District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

General Fund - This is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - This fund is used to account for financial resources to be used for acquisition or construction of major capital facilities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. When applicable, proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the School District consist of certificates of deposit stated at cost with maturities in excess of three months.

Capital Assets

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

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

Vehicles & Equipment	10-15
Buildings	50

Compensated Absences

Full-time employees with a year of continuous service will receive 80 hours of vacation leave per year. Upon termination, unused vacation leave will be paid to the employee at their current rate of pay. Vested or accumulated vacation leave is reported in the government-wide statement of net position.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due payable in accordance with the benefit term. Investments are reported at fair value.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

Fund Balances

Fund Balance Spending Policy. It is the policy of the School District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Assigned Fund Balances. Assigned fund balances are reported in the food service and special reserve fund for amounts that are spendable but have been earmarked for a specific purpose by the board.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

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 & State grants/reimbursements.

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

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

NOTE 2 DEPOSITS

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.

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the 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

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

boards, agencies or instrumentalities or by any School District, 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.

At year ended June 30, 2020, the School District's carrying amount of deposits totaled \$1,071,276, and the bank balances totaled \$1,368,709. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended June 30, 2019, the School District's carrying amount of deposits totaled \$1,100,085, and the bank balances totaled \$1,186,573. Of the bank balances, \$358,723 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 3 PROPERTY TAXES

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

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended June 30, 2020 and 2019:

2020	Balance Jul 1	Increases	Decreases	Balance Jun 30
Capital Assets Not Being Depreciated				
Land	\$ 58,300	\$ -	\$ -	\$ 58,300
Construction in Progress	270,358	98,758	-	369,116
Total Capital Assets, Not Being Depreciated	\$ 328,658	\$ 98,758	\$ -	\$ 427,416
Capital Assets Being Depreciated				
Vehicles & Equipment	\$ 156,445	\$ -	\$ -	\$ 156,445
Less Accumulated Depreciation				
Vehicles & Equipment	\$ 31,289	\$ 15,645	\$ -	\$ 46,934
Total Capital Assets Being Depreciated, Net	\$ 125,156	\$ (15,645)	\$ -	\$ 109,511
Governmental Activities Capital Assets, Net	\$ 453,814	\$ 83,113	\$ -	\$ 536,927

2019	Balance Jul 1	Increases	Decreases	Balance Jun 30
Capital Assets Not Being Depreciated				
Land	\$ 58,300	\$ -	\$ -	\$ 58,300
Construction in Progress	17,603	252,755	-	270,358
Total Capital Assets, Not Being Depreciated	\$ 75,903	\$ 252,755	\$ -	\$ 328,658
Capital Assets Being Depreciated				
Vehicles & Equipment	\$ 156,445	\$ -	\$ -	\$ 156,445
Less Accumulated Depreciation				
Vehicles & Equipment	\$ 15,644	\$ 15,645	\$ -	\$ 31,289
Total Capital Assets Being Depreciated, Net	\$ 140,801	\$ (15,645)	\$ -	\$ 125,156
Governmental Activities Capital Assets, Net	\$ 216,704	\$ 237,110	\$ -	\$ 453,814

Depreciation expense of \$15,645 was charged to the Transportation function for each fiscal year.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

NOTE 5 LONG-TERM LIABILITIES

During the years ended June 30, 2020 and 2019, the following changes occurred in governmental activities long-term liabilities:

2020	Balance Jul 1	Increases	Decreases	Balance Jun 30	Due Within One Year
Compensated Absences *	\$ 38,546	\$ -	\$ 12,656	\$ 25,890	\$ 12,945
Net Pension Liability *	693,419	236,493	-	929,912	-
Total Governmental Activities	\$ 731,965	\$ 236,493	\$ 12,656	\$ 955,802	\$ 12,945

2019	Balance Jul 1	Increases	Decreases	Balance Jun 30	Due Within One Year
Compensated Absences *	\$ 35,742	\$ 2,804	\$ -	\$ 38,546	\$ 19,273
Net Pension Liability *	729,317	-	35,898	693,419	-
Total Governmental Activities	\$ 765,059	\$ 2,804	\$ 35,898	\$ 731,965	\$ 19,273

* - The change in compensated absences and net pension liability are shown as net changes because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

NOTE 6 PENSION PLAN**General Information about the TFFR Pension Plan****North Dakota Teachers' Fund for Retirement TFFR**

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

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

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

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.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

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 70 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2020 and June 30, 2019, for its respective proportionate share of the net pension liability, the following net pension liabilities were reported:

	Net Pension Liability
2020	\$ 929,912
2019	693,419

The net pension liability was measured as of June 30, 2019 and June 30, 2018 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020 and June 30, 2019, the entity had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 and 2018 Measurement	Pension Expense
2020	0.067519%	0.015494%	\$ 91,239
2019	0.052025%	-0.001073%	22,500

At June 30, 2020, the following deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,328	\$ 33,561
Changes of Assumptions	33,051	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	13,090	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	243,039	161,624
Employer Contributions Subsequent to the Measurement Date	72,393	-
Total Deferred Outflows and Inflows of Resources	\$ 362,901	\$ 195,185

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

At June 30, 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,882	\$ 18,859
Changes of Assumptions	38,199	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	2,397
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	88,537	217,687
Employer Contributions Subsequent to the Measurement Date	116,966	-
Total Deferred Outflows and Inflows of Resources	\$ 245,584	\$ 238,943

\$72,393 and \$116,966 were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2020 and June 30, 2019, respectively.

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

2021	\$ 22,027
2022	(43)
2023	(2,841)
2024	1,991
2025	(4,961)
Thereafter	(2,266)

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses
Cost-of-Living Adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2019 funding actuarial valuation for TFFR.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.90%
Global Fixed Income	23%	2.10%
Global Real Assets	18%	5.40%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2019, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2019. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Proportionate Share of the Net Pension Liability	\$ 1,255,856	\$ 929,912	\$ 659,045

NOTE 7 TRANSFERS

The purpose of transfers during 2019 was to fund construction of the new school building in the Capital Projects Fund, and to fund operations of the Food Service Fund.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Financial Statements – Continued

NOTE 8 RISK MANAGEMENT

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

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

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 buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$250,000 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 \$701,700 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 CONSTRUCTION COMMITMENTS

The School District has one open construction project at June 30, 2020 for a new school building. Construction commitments exist for different construction services as outlined below:

Service	Total Contract	Completed	Retainages	Remaining Commitment
Architecture	\$ 372,300	\$ 241,255	\$ -	\$ 131,045
Construction Management	10,000	7,500	-	2,500
Total	\$ 382,300	\$ 248,755	\$ -	\$ 133,545

NOTE 10 SUBSEQUENT EVENT

The School District is in the designing phase of constructing a new school building. The estimated cost of \$4,691,494 will be 100% federally funded with the Impact Aid Discretionary Construction Program.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 165,700	\$ 165,700	\$ 163,690	\$ (2,010)
State Sources	752,652	752,652	762,511	9,859
Federal Sources	644,324	644,324	533,313	(111,011)
Total Revenues	<u>\$ 1,562,676</u>	<u>\$ 1,562,676</u>	<u>\$ 1,459,514</u>	<u>\$ (103,162)</u>
EXPENDITURES				
Regular Instruction	\$ 787,710	\$ 787,710	\$ 608,548	\$ 179,162
Federal Programs	254,024	254,024	200,019	54,005
Administration	64,679	64,679	273,870	(209,191)
Operations and Maintenance	88,148	88,148	96,274	(8,126)
Transportation	78,650	78,650	76,934	1,716
Other Programs & Services	200,979	200,979	226,600	(25,621)
Total Expenditures	<u>\$ 1,474,190</u>	<u>\$ 1,474,190</u>	<u>\$ 1,482,245</u>	<u>\$ (8,055)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 88,486</u>	<u>\$ 88,486</u>	<u>\$ (22,731)</u>	<u>\$ (111,217)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (10,000)	\$ (10,000)	\$ -	\$ 10,000
Net Changes in Fund Balances	<u>\$ 88,486</u>	<u>\$ 78,486</u>	<u>\$ (22,731)</u>	<u>\$ (101,217)</u>
Fund Balances - July 1	<u>\$ 549,013</u>	<u>\$ 549,013</u>	<u>\$ 547,492</u>	<u>\$ (1,521)</u>
Fund Balances - June 30	<u>\$ 637,499</u>	<u>\$ 627,499</u>	<u>\$ 524,761</u>	<u>\$ (102,738)</u>

The accompanying required supplementary information notes are an integral part of this schedule.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 180,738	\$ 180,738	\$ 185,977	\$ 5,239
State Sources	641,921	641,921	641,921	-
Federal Sources	683,776	683,776	799,847	116,071
Other Sources	6,293	6,293	6,295	2
Total Revenues	\$ 1,512,728	\$ 1,512,728	\$ 1,634,040	\$ 121,312
EXPENDITURES				
Regular Instruction	\$ 713,104	\$ 713,104	\$ 687,571	\$ 25,533
Federal Programs	347,776	347,776	239,626	108,150
Administration	47,990	47,990	68,242	(20,252)
Operations and Maintenance	80,670	80,670	79,222	1,448
Transportation	73,900	73,900	78,644	(4,744)
Co-curricular Activities	-	-	2,264	(2,264)
Other Programs & Services	169,115	169,115	147,502	21,613
Total Expenditures	\$ 1,432,555	\$ 1,432,555	\$ 1,303,071	\$ 129,484
Excess (Deficiency) of Revenues Over Expenditures	\$ 80,173	\$ 80,173	\$ 330,969	\$ 250,796
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (30,000)	\$ (30,000)	\$ (264,000)	\$ (234,000)
Net Changes in Fund Balances	\$ 50,173	\$ 50,173	\$ 66,969	\$ 16,796
Fund Balances - July 1	\$ 476,811	\$ 476,811	\$ 480,523	\$ 3,712
Fund Balances - June 30	\$ 526,984	\$ 526,984	\$ 547,492	\$ 20,508

The accompanying required supplementary information notes are an integral part of this schedule.

OBERON PUBLIC SCHOOL DISTRICT No. 16

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

For the Year Ended June 30, 2020

**Schedule of Employer's Share of Net Pension Liability
ND Public Employee's Retirement System
Last 10 Fiscal Years**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.067519%	\$ 929,912	\$ 473,668	196.32%	65.51%
2019	0.052025%	693,419	353,671	164.27%	65.50%
2018	0.053098%	729,317	358,397	203.49%	63.20%
2017	0.042946%	629,180	279,029	225.49%	59.20%
2016	0.069140%	904,251	425,282	212.62%	62.10%
2015	0.075449%	790,572	437,642	180.64%	66.60%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 60,393	\$ 60,393	\$ -	\$ 473,668	12.75%
2019	45,093	45,093	-	353,671	12.75%
2018	45,696	45,696	-	358,397	12.75%
2017	35,576	35,576	-	279,029	12.75%
2016	54,221	54,221	-	425,282	12.75%
2015	47,046	47,046	-	437,642	10.75%

The accompanying required supplementary information notes are an integral part of this schedule.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Required Supplementary Information

For the Years Ended June 30, 2020 and 2019

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School District adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project 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 tenth day of August of each year.
- The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year, but the certification must be filed with the county auditor within the time limitations as outlined in NDCC section 57-15-31.1.
- Taxes for school district purposes must be based upon an itemized budget statement which must show the complete expenditure program of the district for the current fiscal year and the sources of the revenue from which it is to be financed.
- The operating budget includes proposed expenditures and means of financing them.
- The school board of each public school district, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the district and to provide a sinking fund to pay and discharge the principal thereof at maturity.
- No taxing district may certify any taxes or amend its current budget and no county auditor may accept a certification of taxes or amended budget after the tenth day of October of each year if such certification or amendment results in a change in the amount of tax levied.
- 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.

NOTE 2 CHANGES OF ASSUMPTIONS

Pension

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

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

NOTE 3 SCHEDULE OF PENSION LIABILITY AND CONTRIBUTIONS

GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

OBERON PUBLIC SCHOOL DISTRICT No. 16

Schedule of Expenditures of Federal Awards
For the Years Ended June 30, 2020 and 2019

CFDA Number	Program Title	Pass-Through Grantor's Number	Fiscal Year 2019 Expenditures	Fiscal Year 2020 Expenditures	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Passed through the North Dakota Department of Public Instruction					
Child Nutrition Cluster					
10.555	National School Lunch Program - Cash	F10555	\$ 14,953	\$ 21,459	\$ 36,412
10.555	National School Lunch Program - Commodities *	F10555	1,814	-	1,814
10.553	School Breakfast Program	F10553	34,620	12,635	47,255
10.559	Summer Food Service Program for Children	F10559	-	15,216	15,216
Total Child Nutrition Cluster			\$ 51,387	\$ 49,310	\$ 100,697
10.560A	State Administrative Expenses for Child Nutrition	F10560A	\$ 70	\$ 973	\$ 1,043
Total U.S Department of Agriculture			\$ 51,457	\$ 50,283	\$ 101,740
U.S. DEPARTMENT OF EDUCATION					
Direct Program					
84.041B & 84.041C	Impact Aid	N/A	\$ 833,808	\$ 632,478	\$ 1,466,286
Total Direct Program			\$ 833,808	\$ 632,478	\$ 1,466,286
Passed through the North Dakota Department of Public Instruction					
84.010	Title I - Grants to LEA's	F84010	\$ 191,002	\$ -	\$ 191,002
84.367A	Improving Teacher Quality State Grants	F84367	32,794	-	32,794
84.424A	Student Support and Academic Enrichment Program	F84424A	19,334	-	19,334
Total U.S Department of Education			\$ 1,076,938	\$ 632,478	\$ 1,709,416
Total Expenditures of Federal Awards			\$ 1,128,395	\$ 682,761	\$ 1,811,156
* - Noncash assistance					
See notes to the Schedule of Expenditures of Federal Awards					

OBERON PUBLIC SCHOOL DISTRICT No. 16

Notes to the Schedule of Expenditures of Federal Awards

For the Years Ended June 30, 2020 and 2019

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District under programs of the federal government for the years ended June 30, 2020 and 2019. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4 PASS-THROUGH GRANT NUMBER

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

NOTE 5 INDIRECT COST RATE

Oberon Public School District has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.



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

Independent Auditor's Report

Oberon Public School Board
Oberon Public School District No. 16
Oberon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oberon Public School District No. 16, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Oberon Public School District No. 16's basic financial statements, and have issued our report thereon dated November 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oberon Public School District No. 16's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oberon Public School District No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oberon Public School District No. 16's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, and 2020-006 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 deficiency described in the accompanying *schedule of audit findings and questioned costs* as item 2020-007 to be a significant deficiency.

OBERON PUBLIC SCHOOL DISTRICT No. 16

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oberon Public School District No. 16's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings and questioned costs* as item 2020-006.

Oberon Public School District No. 16's Response to Findings

Oberon Public School District No. 16's response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs* and *corrective action plan*. Oberon Public School District No. 16's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 2, 2020



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

Independent Auditor's Report

Oberon Public School Board
Oberon Public School District No. 16
Oberon, North Dakota

Report on Compliance for Each Major Federal Program

We were engaged to audit Oberon Public School District No. 16'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 Oberon Public School District No. 16's major federal programs for the years ended June 30, 2020 and 2019. Oberon Public School District No. 16's major federal programs are identified in the *summary of auditor's results*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Oberon Public School District No. 16's major federal program 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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oberon Public School District No. 16's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Because of the matter described in the Basis for Disclaimer of Opinion on All Major Federal Programs paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Oberon Public School District No. 16's compliance with major compliance requirements and therefore, express no opinion.

Basis for Disclaimer of Opinion on All Major Federal Programs

As described in the accompanying *schedule of audit findings and questioned costs* under item 2020-009, Oberon Public School District No. 16 was unable to provide the auditor with detailed financial reports and supporting documentation for the years ended June 30, 2020 and 2019, consequently we were unable to test all material compliance requirements regarding the Oberon Public School District No. 16's major programs as listed in the *schedule of audit findings and questioned costs*. Compliance with such requirements is necessary, in our opinion, for Oberon Public School District No. 16 to comply with the requirements applicable to that program.

OBERON PUBLIC SCHOOL DISTRICT No. 16

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

Disclaimer of Opinion on All Major Federal Programs

Because of the significance of the effects of the noncompliance described in the Basis for Disclaimer of Opinion on All Major Federal Programs paragraph, we were unable to obtain sufficient appropriate audit evidence to provide an audit opinion on the Oberon Public School District No. 16's compliance with material compliance requirements. Accordingly, we do not express an opinion on the Oberon Public School District No. 16's compliance with material compliance requirements.

Other Matters

The Oberon Public School District No. 16's responses to the noncompliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs and corrective action plan*. The Oberon Public School District No. 16's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Oberon Public School District No. 16 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Oberon Public School District No. 16'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 Oberon Public School District No. 16's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying *schedule of audit findings and questioned costs* as items 2020-008, 2020-009, and 2020-010 that we consider to be material weaknesses.

Oberon Public School District No. 16's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of audit findings and questioned costs and corrective action plan. Oberon Public School District No. 16's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 2, 2020

OBERON PUBLIC SCHOOL DISTRICT No. 16

Summary of Auditor's Results

For the Years Ended June 30, 2020 and 2019

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Noted
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> None Noted

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Type of auditor's report issued on compliance for major programs:	Disclaimer	
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> X </u> Yes	<u> </u> None noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
84.041	Impact Aid

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

Auditee qualified as low-risk auditee? Yes X No

OBERON PUBLIC SCHOOL DISTRICT No. 16

Schedule of Audit Findings and Questioned Costs

For the Years Ended June 30, 2020 and 2019

Section I - Financial Statement Findings

2020-001 LACK OF CONTRACTUAL OVERSIGHT – MATERIAL WEAKNESS

Condition

Oberon Public School District issued \$230,595 of total payments for services during fiscal years 2019 and 2020 without evidence of services received.

Oberon Public School District entered into a contract with a consultant for \$15,000 plus additional services billed at a rate of \$200/hr.

In addition,

Oberon Public School District entered into a contract with a grant writer for \$5,000, due upon signing of the contract, plus 2% of grants awarded to the School District, not to exceed \$75,000. The purpose of the grant was to obtain federal funding for the construction of a new school building.

Effect

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

Cause

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

Criteria

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

Prior Recommendation

No.

Recommendation

We recommend Oberon Public School District thoroughly review and approve all contractual invoices to ensure obligations have been achieved, as specified in the contracts.

Oberon Public School District's Response

See Corrective Action Plan

2020-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Oberon Public School District currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

This increases the risk of material misstatement of the Oberon Public School District's financial statements.

Cause

Management chose not to allocate Oberon Public School District's resources for preparation of the financial statements.

Criteria

The Oberon 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 GAAP.

Repeat Finding

No.

Recommendation

We recommend the Oberon 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.

Oberon Public School District's Response

See Corrective Action Plan

2020-003 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

The Oberon Public School District has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of Oberon Public School District's financial condition whether due to error or fraud.

Cause

Management has chosen to allocate its economic resources to other functions of the Oberon Public School District.

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of the Oberon Public School District.

Prior Recommendation

No.

Recommendation

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Expenditures, financial statements, bank reconciliations, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Oberon Public School District's Response

See Corrective Action Plan

2020-004 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition

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

Effect

If Oberon 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

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

Criteria

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

Prior Recommendation

No.

Recommendation

We recommend Oberon 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.

Oberon Public School District's Response

See Corrective Action Plan

2020-005 INADEQUATE BOARD APPROVAL OF INVOICES– MATERIAL WEAKNESS

Condition

Oberon Public School District minutes do not consistently include a complete listing of invoices. We noted several check numbers, totaling \$51,662, which were never included in the minutes and thus were not properly approved by the School Board.

Effect

Without adequate reviewing and approving of Oberon Public School District expenditures, the School District exposes itself to risk of loss of assets, potential liabilities, and damage to the School District's reputation, whether due to error or fraud.

Cause

Oberon Public School District does not have an adequate process to ensure all invoices are included in the listing for board approval.

Criteria

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

Prior Recommendation

No.

Recommendation

We recommend Oberon Public School District review, and update if necessary, its current board approval process to ensure that all payments are appropriate and approved by the School Board.

Oberon Public School District's Response

See Corrective Action Plan

2020-006 CONSTRUCTION MANAGER AT-RISK– MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition

Oberon Public School District hired a construction manager at-risk for the construction of their new school building. The School District was unable to provide the auditors with the necessary documentation relating to the selection process required under N.D.C.C. §48-01.2-20.

Effect

Oberon Public School District may be in violation of N.D.C.C. §48.01.2-20.

Cause

Documents may have been destroyed, that related to the selection of a construction manager at-risk.

Criteria

N.D.C.C. §48-01.2-20 includes, but is not limited to, the following requirements:

- A governing body electing to utilize a construction management at-risk delivery process for a proposed public improvement shall create a selection committee composed of; an administrative individual from the governing body, a registered architect, a registered engineer, and a licensed contractor.
- The selection committee shall establish the content of the request for qualifications, which must include (but is not limited to); the identity of the governing body and a list of the members of the selection committee, description of the proposed public improvement, proposed budget limits of the public improvement, commencement and completion date of the proposed public improvement, and the description of the scope of services to be provided.
- The selection committee shall determine the appropriate evaluation criteria for each request for qualifications including (but not limited to); the person's experience on any similar project, the person's existing workload and available capacity, the person's key personnel experience on any similar project, the person's safety record, the person's fees and expenses, and the person's compliance with state and federal law.
- The selection committee shall evaluate each submission based on the qualification criteria and shall include the numeric scoring of each criteria item on a weighted basis, with no item being weighted at more than twenty percent and no less than five percent. The weighting of the qualification criteria must be done in a manner to ensure no subjective bias and encourage the maximum participation of qualified construction managers at-risk.
- The selection committee shall review each proposal submitted. The selection committee shall then recommend to the governing body the construction manager at-risk receiving the highest score on the evaluation criteria. If unable to agree to a contract with the highest ranked construction manager at-risk, the governing body shall terminate negotiations and begin negotiations with the construction manager at-risk with the next highest score.

Prior Recommendation

No.

Recommendation

We recommend Oberon Public School District review N.D.C.C. §48-01.2-20 and update procedures, if necessary, to ensure compliance with Construction Manager At-Risk requirements. We further recommend Oberon Public School District review record retention procedures to ensure appropriate documentation is being maintained.

Oberon Public School District's Response

See Corrective Action Plan

2020-007 POST DATED TRANSACTIONS– SIGNIFICANT DEFICIENCY

Condition

Oberon Public School District inappropriately included \$34,510 of expenditures in fiscal year 2019, which were applicable for fiscal year 2020.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, 2019 and 2020 expenditures would have been overstated and understated by \$34,510, respectively.

Cause

Lack of oversight at year end resulted in improper cutoff of the 2019 financial statements.

Criteria

Management of Oberon Public School District is responsible for establishing proper internal control over the School District's activities to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with the GAAP basis of accounting.

Prior Recommendation

No.

Recommendation

We recommend that Oberon Public School District ensure its financial statements are properly cutoff in accordance with GAAP.

Oberon Public School District's Response

See Corrective Action Plan

Section II - Federal Award Findings and Questioned Costs

2020-008 IMPACT AID BOARD APPROVAL OF EXPENDITURES – CFDA 84.041 – MATERIAL WEAKNESS

Condition

The Oberon Public School District Board did not have proper board approval for 2 construction invoices, totaling \$67,338, out of 21 tested.

Effect

Oberon Public School District may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

Cause

Oberon Public School District may not have an adequate process in place to ensure all invoices are presented to the board for proper approval.

Criteria

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Questioned Costs

None.

Prior Recommendation

No.

Recommendation

We recommend Oberon Public School District assess and implement a process to ensure proper board approval of all invoices.

Oberon Public School District's Response

See Corrective Action Plan

2020-009 IMPACT AID DOCUMENTATION – CFDA 84.041 – MATERIAL WEAKNESS AND NON-COMPLIANCE

Condition

Oberon Public School District does not have adequate support documentation for the Impact Aid Grant. Oberon Public School District was unable to substantiate amounts claimed on the applications submitted for Impact Aid Grant including:

- Basic Impact Aid (7003(b)) and Children with Disabilities (7003(d))
- Construction (7007(a))

Items unsubstantiated include:

- Children with Disabilities who reside on eligible Indian lands
- Children who reside on eligible Indian lands
- Federally connected children percentage (Federally connected children divided by Total School Enrollment)

Effect

Oberon Public School District may have improperly reported application information, resulting in receiving additional Impact Aid Grant money.

Cause

Oberon Public School District does not have adequate policies and procedures to assign oversight and records retention for the Impact Aid Grant.

Criteria

“Standards for Internal Control in the Federal Government” (Green Book) requires management to document in policies for each unit its responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity.

Part 4 of the 2019/2020 OMB Compliance Supplement, in the Reporting section, requires auditors to test the membership data used to support the application.

Questioned Costs

None.

Prior Recommendation

No.

Recommendation

We recommend Oberon Public School District acquire and maintain the proper supporting documentation surrounding the Impact Aid Grant.

Oberon Public School District’s Response

See Corrective Action Plan

2020-010 IMPACT AID REVIEW AND APPROVAL – CFDA 84.041 – MATERIAL WEAKNESS

Condition

Oberon Public School District does not have its Impact Aid Grant application reviewed and approved by someone other than the preparer prior to submission of the report.

Effect

Oberon Public School District may have improperly reported application information, resulting in receiving additional Impact Aid Grant money.

Cause

Oberon Public School District does not have adequate policies and procedures to review and approve the application for the Impact Aid Grant prior to submission.

Criteria

"Standards for Internal Control in the Federal Government" (Green Book) requires management to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. Management is to design appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Questioned Costs

None.

Prior Recommendation

No.

Recommendation

We recommend Oberon Public School District implement policies and procedures to ensure that Impact Aid Grant applications are reviewed and approved by someone other than the preparer, prior to submission.

Oberon Public School District's Response

See Corrective Action Plan

Oberon Public School District No. 16
315 A Street
P.O. Box 2
Oberon, ND 58357

Date: October 19, 2020

To: Joshua C. Gallion, ND State Auditor

FROM: Maria Dunlap, Business Manager

RE: Oberon Public School District – FY2019-2020 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Maria Dunlap, Business Manager

Section I – Financial Statement Findings:

2020-001 LACK OF CONTRACTUAL OVERSIGHT – MATERIAL WEAKNESS

Condition:

Oberon Public School District issued \$230,595 of total payments for services during fiscal years 2019 and 2020 without evidence of services received.

Oberon Public School District entered into a contract with a consultant for \$15,000 plus additional services billed at a rate of \$200/hr.

In addition,

Oberon Public School District entered into a contract with a grant writer for \$5,000, due upon signing of the contract, plus 2% of grants awarded to the School District, not to exceed \$75,000. The purpose of the grant was to obtain federal funding for the construction of a new school building.

Corrective Action Plan:

We Agree. The Oberon Public School District will address identifying number 2020-001 “Lack of Contractual Oversight” by complying with N.D.C.C. on bidding requirements and receiving and retaining documentation on services received and contracted. The District will thoroughly review all contractual invoices to ensure obligations have been achieved, as specified in the contracts.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition:

Oberon Public School District currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Corrective Action Plan:

Oberon Public School remains resolute at this time to continue having auditors prepare the financial statements, including the accompanying note disclosures, as required by generally accepted accounting principles. The District accepts the degree of risk associated with the District not preparing its own financial statements.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-003 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

The Oberon Public School District has one business manager responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, perform bank reconciliations, and prepare financial statements.

Corrective Action Plan:

Due to the size of Oberon Public School, it is not feasible to obtain proper separation of duties. The bank reconciliations, credit memos and payroll registers will be spot-checked by a responsible official, such as Superintendent or Board member.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-004 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition:

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

Corrective Action Plan:

Oberon Public School District agrees with number 2020-004, "Fraud risk assessment". The District will form a team of administrators and board members to prepare a fraud risk assessment tool. The fraud risk assessment would include development of anti-fraud controls to establish consistency to identify potential fraud risks.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-005 INADEQUATE BOARD APPROVAL OF INVOICES– MATERIAL WEAKNESS

Condition:

Oberon Public School District minutes do not consistently include a complete listing of invoices. We noted several check numbers, totaling \$51,662, which were never included in the minutes and thus were not properly approved by the School Board.

Corrective Action Plan:

Oberon Public School District agrees with number 2020-005 "Inadequate board approval of invoices". The District will review its approval process to ensure that all payments are appropriate and approved by the School Board.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-006 CONSTRUCTION MANAGER AT-RISK– MATERIAL WEAKNESS AND MATERIAL NON-COMPLIANCE

Condition:

Oberon Public School District hired a construction manager at-risk for the construction of their new school building. The School District was unable to provide the auditors with the necessary documentation relating to the selection process required under N.D.C.C. §48-01.2-20.

Corrective Action Plan:

Oberon Public School District agrees with 2020-006 Construction Manager At-risk non-compliance. The District will comply with N.D.C.C. §48-01.2-20 when hiring all future CMARs. The District will retain all the necessary documentation relating to the required selection process.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-007 POST DATED TRANSACTIONS– SIGNIFICANT DEFICIENCY

Condition:

Oberon Public School District inappropriately included \$34,510 of expenditures in fiscal year 2019, which were applicable for fiscal year 2020.

Corrective Action Plan:

The Oberon Public School District agrees with 2020-007 “Post Dated Transactions” and will ensure that its financial statements are properly cutoff in accordance with GAAP.

Anticipated Completion Date:

Fiscal Year 2020-2

Section II – Federal Awards Findings and Questioned Costs:

2020-008 IMPACT AID BOARD APPROVAL OF EXPENDITURES – CFDA 84.041 – MATERIAL WEAKNESS

Condition:

The Oberon Public School District Board did not have proper board approval for 2 construction invoices, totaling \$67,338, out of 21 tested.

Corrective Action Plan:

Oberon Public School District agrees with number 2020-008 ‘Impact Aid Board Approval of Expenditures’. The District will review its approval process to ensure that all payments are appropriate and approved by the School Board.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-009 IMPACT AID DOCUMENTATION – CFDA 84.041 – MATERIAL WEAKNESS AND NON-COMPLIANCE

Condition:

Oberon Public School District does not have adequate support documentation for the Impact Aid Grant. Oberon Public School District was unable to substantiate amounts claimed on the applications submitted for Impact Aid Grant including:

- Basic Impact Aid (7003(b)) and Children with Disabilities (7003(d))
- Construction (7007(a))

Items unsubstantiated include:

- Children with Disabilities who reside on eligible Indian lands
- Children who reside on eligible Indian lands
- Federally connected children percentage (Federally connected children divided by Total School Enrollment)

Corrective Action Plan:

Oberon Public School District agrees with 2020-009 “Impact Aid Documentation”. The District will acquire and maintain the proper supporting documentation surrounding the Impact Aid Grant.

Anticipated Completion Date:

Fiscal Year 2020-21

2020-010 IMPACT AID REVIEW AND APPROVAL – CFDA 84.041 – MATERIAL WEAKNESS

Condition:

Oberon Public School District does not have its Impact Aid Grant application reviewed and approved by someone other than the preparer prior to submission of the report.

Corrective Action Plan:

Oberon Public School District agrees with 2020-010 “Impact Aid Review and Approval”. The District will ensure that Impact Aid Grant applications are reviewed and approved by someone other than the preparer, prior to submission.

Anticipated Completion Date:

Fiscal Year 2020-21

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

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701-328-2345

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OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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ndsao@nd.gov

GOVERNANCE COMMUNICATION

Oberon Public School Board
Oberon Public School District No. 16
Oberon, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oberon Public School District No. 16, North Dakota, as of and for the years ended June 30, 2020 and 2019, which collectively comprise Oberon Public School District No. 16's basic financial statements, and have issued our report thereon dated November 2, 2020. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated June 2, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Oberon Public School District No. 16, North Dakota's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance 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, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Oberon Public School District No. 16, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Oberon Public School District No. 16's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the purpose of expressing an opinion on the Oberon Public School District No. 16's compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on the Oberon Public School District No. 16's compliance with those requirements.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Oberon Public School District No. 16 are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended June 30, 2020 and 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Corrected and Uncorrected Misstatements

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

2020	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
Expenditures	14,935	-	10,000	-	24,935	-
Accounts Payable	-	6,113	-	10,000	-	16,113
Salaries Payable	-	8,822	-	-	-	8,822
Revenues	98,235	-	-	-	98,235	-
Unearned Revenue	-	98,235	-	-	-	98,235
2019	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
Expenditures	36,031	-	-	-	36,031	-
Accounts Payable	-	34,925	-	-	-	34,925
Salaries Payable	-	1,106	-	-	-	1,106
Revenues	197,926	-	-	-	197,926	-
Unearned Revenue	-	197,926	-	-	-	197,926
Cash	-	-	34,510	-	34,510	-
Expenditures	-	-	-	34,510	-	34,510

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 2, 2020.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the School Board and management of Oberon Public School District No. 16, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you to the employees of Ober Public School District No. 16 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Oberon Public School District No. 16.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 2, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505