

BELCOURT PUBLIC SCHOOL DISTRICT #7
BELCOURT, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Belcourt Public School District #7, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Belcourt Public School District #7 as of June 30, 2021, and the respective changes in financial position for the year then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 9 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statements No. 84, *Fiduciary Activities*. As discussed in Note 9 to the financial statements, the District has restated the previously reported net position and fund balance in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary comparison schedule for the general fund is presented for purpose of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

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

March 10, 2022

BELCOURT PUBLIC SCHOOL DISTRICT #7
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2021

ASSETS

Cash & Investments	\$ 8,259,252
Restricted Cash & Investments	11,528,102
Capital Assets	
Construction in Progress	191,240
Buildings	12,039,971
Equipment	7,677,780
Vehicles	4,407,015
Less Accumulated Depreciation	<u>(9,416,387)</u>
Total Capital Assets	<u>14,899,619</u>

TOTAL ASSETS	<u>34,686,973</u>
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LIABILITIES

Current Liabilities:	
Bonds Payable Within a Year	<u>186,207</u>
Total Current Liabilities	<u>186,207</u>
Long-Term Liabilities:	
Bonds Payable (Net of Current Portion)	<u>3,839,319</u>
Total Non-Current Liabilities	<u>3,839,319</u>

TOTAL LIABILITIES	<u>4,025,526</u>
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NET POSITION

Net Investment in Capital Assets	10,874,093
Restricted for Federal Grants	11,528,102
Restricted for Student Activities	64,800
Unrestricted	<u>8,194,452</u>

TOTAL NET POSITION	<u><u>\$ 30,661,447</u></u>
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See Notes to the Basic Financial Statements

BELCOURT PUBLIC SCHOOL DISTRICT #7
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instructional Support Services	\$ 2,024,242	\$ -	\$ -	\$ (2,024,242)
Administration	1,733,025	-	-	(1,733,025)
Operations and Maintenance	1,445,166	-	-	(1,445,166)
Transportation	1,096,583	-	-	(1,096,583)
Regular Instruction	16,479,708	187,854	26,251,567	9,959,713
Special Education	4,137,488	-	1,890,736	(2,246,752)
Vocational Education	973,288	-	87,083	(886,205)
Extra-Curricular Activities	1,474,346	82,502	-	(1,391,844)
Food Services	2,413,815	-	2,175,008	(238,807)
Other Programs & Services	202,285	-	-	(202,285)
Interest and Fees on Long-Term Debt	114,731	-	-	(114,731)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 32,094,677</u>	<u>\$ 270,356</u>	<u>\$ 30,404,394</u>	<u>(1,419,927)</u>
GENERAL REVENUES				
Aids and Payments from the State				14,038,147
Miscellaneous Revenue				131,434
Unrestricted Investment Earnings				87,967
TOTAL GENERAL REVENUES				<u>14,257,548</u>
Change in Net Position				<u>12,837,621</u>
Net Position - Beginning, As Previously Reported				17,753,803
GASB 84 Adjustment, See Note 9				<u>70,023</u>
Net Position - Beginning, As Restated				<u>17,823,826</u>
Net Position - Ending				<u>\$ 30,661,447</u>

See Notes to the Basic Financial Statements

BELCOURT PUBLIC SCHOOL DISTRICT #7
BALANCE SHEET – GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
JUNE 30, 2021

	General Fund	Food Service	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash & Investments	\$ 8,259,252	\$ -	\$ 8,259,252
Restricted Cash & Investments	11,528,102	-	11,528,102
TOTAL ASSETS	<u>\$ 19,787,354</u>	<u>\$ -</u>	<u>\$ 19,787,354</u>
 FUND BALANCES			
Restricted for Federal Grants	\$ 11,528,102	\$ -	\$ 11,528,102
Restricted for Student Activities	64,800	-	64,800
Unassigned	8,194,452	-	8,194,452
TOTAL FUND BALANCES	<u>\$ 19,787,354</u>	<u>\$ -</u>	<u>\$ 19,787,354</u>

See Notes to the Basic Financial Statements

BELCOURT PUBLIC SCHOOL DISTRICT #7
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2021

Total fund balances - governmental funds \$ 19,787,354

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

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

Cost of capital assets	\$ 24,316,006	
Less: accumulated depreciation	<u>(9,416,387)</u>	
Net		14,899,619

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

Bonds Payable	(3,920,000)	
Bond Premium	<u>(105,526)</u>	

Net Position - Governmental Activities		<u><u>\$ 30,661,447</u></u>
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See Notes to the Basic Financial Statements

BELCOURT PUBLIC SCHOOL DISTRICT #7
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Food Service	Total Governmental Funds
REVENUES			
Charges for Services	\$ 187,854	\$ -	\$ 187,854
Revenue from State Sources	15,928,883	10,879	15,939,762
Revenue from Federal Sources	28,472,172	30,607	28,502,779
Interest	87,967	-	87,967
Other Revenue	213,936	-	213,936
TOTAL REVENUES	<u>44,890,812</u>	<u>41,486</u>	<u>44,932,298</u>
EXPENDITURES			
Current:			
Instructional Support Services	1,953,343	-	1,953,343
Administration	1,733,025	-	1,733,025
Operations and Maintenance	1,295,490	-	1,295,490
Transportation	1,096,583	-	1,096,583
Regular Instruction	15,877,590	-	15,877,590
Special Education	4,137,488	-	4,137,488
Vocational Education	973,288	-	973,288
Extra-Curricular Activities	1,474,346	-	1,474,346
Food Services	2,267,066	146,749	2,413,815
Other Programs & Services Function	202,285	-	202,285
Capital Outlay	1,277,893	-	1,277,893
Debt Service:			
Principal Retirement	175,000	-	175,000
Interest and Fiscal Charges on Long-Term Debt	120,938	-	120,938
TOTAL EXPENDITURES	<u>32,584,335</u>	<u>146,749</u>	<u>32,731,084</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,306,477</u>	<u>(105,263)</u>	<u>12,201,214</u>
OTHER FINANCING SOURCES			
Proceeds on Disposal of Capital Assets	7,202	-	7,202
Transfers Out	(76,970)	-	(76,970)
Transfers In	-	76,970	76,970
TOTAL OTHER FINANCING SOURCES (USES)	<u>(69,768)</u>	<u>76,970</u>	<u>7,202</u>
Net Change in Fund Balances	12,236,709	(28,293)	12,208,416
Fund Balance - Beginning of Year	7,480,622	28,293	7,508,915
GASB 84 Adjustment, See Note 9	<u>70,023</u>	<u>-</u>	<u>70,023</u>
Fund Balance - Beginning of Year, As Restated	<u>7,550,645</u>	<u>28,293</u>	<u>7,578,938</u>
Fund Balance - End of Year	<u>\$ 19,787,354</u>	<u>\$ -</u>	<u>\$ 19,787,354</u>

See Notes to the Basic Financial Statements

BELCOURT PUBLIC SCHOOL DISTRICT #7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021

Total net change in fund balances - Governmental Funds	\$	12,208,416
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Outlays	\$ 1,277,893	
Depreciation Expense	<u>(787,767)</u>	490,126

Net Book Value on Disposal of Asset		(42,128)
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.

		175,000
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Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount by which current year amortization exceeds premiums and discounts.

		<u>6,207</u>
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Change in net position - Governmental Activities	\$	<u><u>12,837,621</u></u>
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See Notes to the Basic Financial Statements

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Government-Wide Statements

The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Fund Financial Statements

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

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

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

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

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

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

The School District reports the following major governmental funds:

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

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

Equity Classifications

Government-wide Statements

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

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

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

Restricted and Unrestricted Resources

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

Fund Balance Classification Policies and Procedures

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

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

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

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

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

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

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

Net Position

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

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

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

Program Revenues

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

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

Budgets and Budgetary Accounting

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

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Cash and Cash Equivalents

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

Investment Policy

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

Capital Assets

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

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

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

Compensated Absences

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

Long-Term Debt

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

Interfund Activity

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

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits

In accordance with North Dakota Statutes, the school maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

Custodial Credit Risk

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

At year ended June 30, 2021, the School District's carrying amount of deposits totaled \$19,787,354, and the bank balances totaled \$21,103,265. The bank balances were covered by Federal Depository Insurance and collateralized with securities held by the pledging financial institution's agent in the government's name.

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Restricted Cash

The District has \$11,528,102 of cash restricted as of June 30, 2021. This represents funding received from Federal grants that have not been expended as of June 31, 2021.

Interest Rate Risk

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

Concentration of Credit Risk

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

NOTE 3 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2021 was as follows:

	Balance 7/1/2020	Additions	Disposals	Transfers	Balance 6/30/2021
Governmental Activities:					
Capital Assets Not Being Depreciated					
Construction in Progress	\$ 8,692,552	\$ 207,385	\$ -	\$ (8,708,697)	\$ 191,240
Total	<u>8,692,552</u>	<u>207,385</u>	<u>-</u>	<u>(8,708,697)</u>	<u>191,240</u>
Capital Assets Being Depreciated					
Buildings	3,398,274	-	67,000	8,708,697	12,039,971
Equipment	8,053,247	418,775	794,242	-	7,677,780
Vehicles	3,777,305	651,733	22,023	-	4,407,015
Total	<u>15,228,826</u>	<u>1,070,508</u>	<u>883,265</u>	<u>8,708,697</u>	<u>24,124,766</u>
Less Accumulated Depreciation					
Buildings	1,183,633	184,055	32,048	-	1,335,640
Equipment	5,744,716	318,619	787,066	-	5,276,269
Vehicles	2,541,408	285,093	22,023	-	2,804,478
Total	<u>9,469,757</u>	<u>787,767</u>	<u>841,137</u>	<u>-</u>	<u>9,416,387</u>
Net Capital Assets Being Depreciated	<u>5,759,069</u>	<u>282,741</u>	<u>42,128</u>	<u>8,708,697</u>	<u>14,708,379</u>
Net Capital Assets for Governmental Activities	<u>\$ 14,451,621</u>	<u>\$ 490,126</u>	<u>\$ 42,128</u>	<u>\$ -</u>	<u>\$ 14,899,619</u>

Depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 567,192
Support Services	70,899
Operation & Maint	149,676
Total	<u>\$ 787,767</u>

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 4 LONG-TERM LIABILITIES

During the year ended June 30, 2021, the following changes occurred in governmental activities long-term liabilities:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
Construction Fund Bonds of 2010	\$ 4,095,000	\$ -	\$ 175,000	\$ 3,920,000	\$ 180,000
Premium on Bonds Payable	111,733	-	6,207	105,526	6,207
Total	<u>\$ 4,206,733</u>	<u>\$ -</u>	<u>\$ 181,207</u>	<u>\$ 4,025,526</u>	<u>\$ 186,207</u>

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

Year	Principal	Interest	Total
2022	\$ 180,000	\$ 115,613	\$ 295,613
2023	185,000	110,138	295,138
2024	190,000	104,513	294,513
2025	195,000	98,738	293,738
2026	205,000	92,738	297,738
2027-2031	1,110,000	367,013	1,477,013
2032-2036	1,285,000	187,987	1,472,987
2037-2038	570,000	17,969	587,969
Total	<u>\$ 3,920,000</u>	<u>\$ 1,094,709</u>	<u>\$ 5,014,709</u>

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

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

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

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Plan Contributions

For the year ended June 30, 2021, the District contributed \$1,183,961 to the plan.

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees' Retirement System (ND PERS)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

Plan Contributions

For the year ended June 30, 2021, the District contributed \$432,305 to the plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Pension Plan Fiduciary Net Position

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

NOTE 6 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

Plan Contributions

For the year ended June 30, 2021, the District contributed \$64,870 to the plan.

Pension Plan Fiduciary Net Position

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

NOTE 7 RISK MANAGEMENT

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

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

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

NOTE 8 TRANSFERS

The purpose of the \$76,970 transfer is to fund operations of the food service program.

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 9 CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

The District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position and beginning general fund balance has been restated to reflect the student activity fund balance of \$70,023, resulting in an increase in net position and general fund balance.

Net Position July 1, 2020 as previously reported	\$ 17,753,803
Restatement for fiduciary activities:	
Student Activity fund balance	<u>70,023</u>
Net Position July 1, 2020 as restated	<u>\$ 17,823,826</u>
Fund Balance July 1, 2020 as previously reported	\$ 7,480,622
Restatement for fiduciary accounting	<u>70,023</u>
Fund Balance July 1, 2020 as restated	<u>\$ 7,550,645</u>

NOTE 10 ECONOMIC DEPENDENCY

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

NOTE 11 CONTINGENT LIABILITIES

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

NOTE 12 LEASE COMMITMENTS

The District has a lease agreement with the Turtle Mountain Bank of Chippewa Indians to lease a building for the Tiny Turtles Education Program. The lease began in the 2020-2021 school year and will continue through the 2023-2024 school year for \$25,000 each year. The following is a schedule of the future minimum payments under this lease:

Year Ending June 30,	
2022	\$ 25,000
2023	25,000
2024	<u>25,000</u>
	<u>\$ 75,000</u>

NOTE 13 NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

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

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

NOTE 14 SUBSEQUENT EVENTS

On September 14, 2021, the District approved a contract for \$1,195,636 for the TMCS Interior Floor Finish project. On December 14, 2021, the District approved a 60 month lease contract for printers at a total cost of \$166,403. No additional significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 10, 2022, which is the date these financial statements were available to be issued.

BELCOURT PUBLIC SCHOOL DISTRICT #7
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original and Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Charges for Services	\$ 170,000	\$ 187,854	\$ 17,854
Revenue From State Sources	15,293,422	15,928,883	635,461
Revenue From Federal Sources	23,699,352	28,472,172	4,772,820
Interest	95,000	87,967	(7,033)
Other Revenue	38,500	213,936	175,436
TOTAL REVENUES	39,296,274	44,890,812	5,594,538
EXPENDITURES			
Current:			
Instructional Support Services	2,234,601	1,953,343	(281,258)
Administration	1,882,849	1,733,025	(149,824)
Operations and Maintenance	1,671,943	1,295,490	(376,453)
Transportation	1,553,918	1,096,583	(457,335)
Regular Instruction	32,610,285	15,877,590	(16,732,695)
Special Education	5,029,276	4,137,488	(891,788)
Vocational Education	1,149,801	973,288	(176,513)
Extra-Curricular Activities	1,697,436	1,474,346	(223,090)
Food Services	2,547,031	2,267,066	(279,965)
Other Programs & Services Function	290,808	202,285	(88,523)
Capital Outlay	1,697,436	1,277,893	(419,543)
Debt Service:			
Principal Retirement	175,000	175,000	-
Interest and Fiscal Charges on Long-Term Debt	130,688	120,938	(9,750)
TOTAL EXPENDITURES	52,671,072	32,584,335	(20,086,737)
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,374,798)</u>	<u>12,306,477</u>	<u>25,681,275</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Disposal of Capital Asset	-	7,202	7,202
Transfers Out	(141,547)	(76,970)	64,577
TOTAL OTHER FINANCING SOURCES (USES)	<u>(141,547)</u>	<u>(69,768)</u>	<u>71,779</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>(13,516,345)</u>	<u>12,236,709</u>	<u>25,753,054</u>
Fund Balances - Beginning	7,480,622	7,480,622	-
GASB 84 Adjustment - See Note 9	70,023	70,023	-
Fund Balances - Beginning, As Restated	<u>7,550,645</u>	<u>7,550,645</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (5,965,700)</u>	<u>\$ 19,787,354</u>	<u>\$ 25,753,054</u>

See Note to the Supplementary Information

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTE TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

- The annual budget must be prepared and school district taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>AL #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Treasury</u>			
Passed Through the ND State Department of Public Instruction:			
21.019	COVID-19 Coronavirus Relief Fund	F21019	\$ 833,626
	Total Department of Treasury		<u>833,626</u>
<u>Department of Education</u>			
84.060	Indian Education Grants to Local Educational Agencies		455,292
84.041	Impact Aid		116,251
Special Education Grants to States			
84.027	Passed Through the ND State Department of Public Instruction	F84027	53,633
84.027	Passed Through the Turtle Mountain Band of Chippewa Indians	A19AV00792	1,683,779
84.173	Passed Through the ND State Department of Public Instruction	F84173A	<u>1,737</u>
	Total Special Education Cluster (IDEA)		1,739,149
Targeted Support Grant			
84.287	Passed Through the North Central Education Cooperative	NA	<u>45,996</u>
	Total 84.287 - Targeted Support Grant		45,996
Chapter 1/TITLE I-Compensatory			
84.010	Passed Through the ND State Department of Public Instruction	F84010	2,518,623
84.010	Passed Through the Turtle Mountain Band of Chippewa Indians	A19AV00792	<u>1,037,103</u>
	Total 84.010 Chapter 1/TITLE I - Compensatory		3,555,726
Comprehensive Literacy Development			
84.371	Passed Through the ND State Department of Public Instruction	F84371C	856,424
84.371	Passed Through the ND State Department of Public Instruction	F84371C2	<u>30,082</u>
	Total 84.371 Comprehensive Literacy Development		886,506
Title IV Transferability			
84.424	Passed Through the ND State Department of Public Instruction	F84424	493,306
84.424	Passed Through the Turtle Mountain Band of Chippewa Indians	A19AV00792	<u>36,892</u>
	Total 84.424 Title IV Transferability		530,198
Education Stabilization Fund			
84.425D	COVID-19 Passed Through the ND State Department of Public Instruction	F84425D	2,218,920
84.425C	COVID-19 Passed Through the ND State Department of Public Instruction	F84425C	121,662
84.425C	COVID-19 Passed Through the Turtle Mountain Band of Chippewa Indians	A19AV00792	157,716
84.425D	COVID-19 Passed Through the Turtle Mountain Band of Chippewa Indians		<u>801,724</u>
	Total 84.425 Education Stabilization Fund		3,300,022
Passed Through the ND State Department of Public Instruction:			
84.358	Rural Education	F84358	46,113
84.367	Title II Part A - Teacher and Principal Quality	F84367	197,547
Passed Through North Valley Career-Tech Center:			
84.048	21st Century Community Learning Centers	F84048	69,263
Passed Through the Turtle Mountain Band of Chippewa Indians:			
84.181	IDEAC/Special Education - Grants for Infants and Families	A19AV00792	417,726
84.336	Title II Part A - Teacher Quality Partnership Grants	A19AV00792	78,512
	Total Department of Education		<u>11,438,301</u>

See Notes to the Schedule of Expenditures of Federal Awards

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

<u>AL #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Child Nutrition - Commodity Assistance	F10555	\$ 30,607
10.559	COVID-19 Summer Food Service	F10559	2,102,915
	Total Cluster		<u>2,133,522</u>
10.582	Fruit and Vegetable Grant	F10582	<u>34,677</u>
	Total Department of Agriculture		<u>2,168,199</u>
<u>Department of Interior</u>			
Passed Through the Turtle Mountain Band of Chippewa Indians			
15.042	Indian School Equalization Program	A19AV00792	4,343,332
15.149	Program Adjustment	A19AV00792	33,661
15.151	Education Program Enhancements	A19AV00792	77,927
15.046	Administrative Cost Grants for Indian Schools	A19AV00792	<u>736,098</u>
	Total Department of Interior		<u>5,191,018</u>
	TOTAL		<u>\$ 19,631,144</u>

See Notes to the Schedule of Expenditures of Federal Awards

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 NONMONETARY TRANSACTIONS

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

NOTE 4 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

The School District received federal awards both directly and indirectly through pass-through entities. The School District has not provided any federal financial assistance to subrecipients.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Belcourt Public School District #7 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Belcourt Public School District #7's basic financial statements, and have issued our report thereon dated March 10, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Belcourt Public School District #7's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Belcourt Public School District #7's Response to Findings

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

Purpose of this Report

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



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

March 10, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited Belcourt Public School District #7's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Belcourt Public School District #7's major federal programs for the year ended June 30, 2021. Belcourt Public School District #7's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Belcourt Public School District #7 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



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

March 10, 2022

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unmodified (Modified Cash Basis)

Internal control over financial reporting:

Material weakness(es) identified?

☒ yes ☐ no

Significant deficiency(ies) identified that are
not considered to be material weaknesses?

☐ yes ☒ none reported

Non-compliance material to financial
statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

Significant deficiency(ies) identified that are
not considered to be material weaknesses?

☐ yes ☒ none reported

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

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major programs:

AL Number(s) Name of Federal Program of Cluster

21.019 Coronavirus Relief Fund

84.010 Title I

84.371 Comprehensive Literacy Development

84.425 Education Stabilization Fund

Dollar threshold used to distinguish
between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 MATERIAL WEAKNESS – ADJUSTING JOURNAL ENTRIES

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause

The District's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of the audit procedures.

Prior Finding

Yes, 2020-001.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Belcourt Public School District's Response

See Corrective Action Plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

2021-002 MATERIAL WEAKNESS – FINANCIAL STATEMENT PREPARATION

Criteria

An appropriate system of internal control requires the District to prepare financial statements in accordance with the modified cash basis of accounting.

Condition

The entity's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District does not prepare financial statements, including accompanying note disclosures, by the modified cash basis of accounting. The District elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected not to allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Prior Finding

Yes, 2020-002.

Recommendation

We recommend the 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. As a compensating control the organization should establish an internal control to document the annual review of the financial statements and schedules and to review a financial statements disclosure checklist.

Belcourt Public School District's Response

See Corrective Action Plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings to be reported in this section.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2020-001 MATERIAL WEAKNESS – ADJUSTING JOURNAL ENTRIES

Criteria

Belcourt Public School District #7 is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

Condition

Belcourt Public School District #7 currently does not prepare the various adjusting entries to properly reflect the financial statements in accordance with the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the adjusting entries to the financial statements.

Cause

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

Effect

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

Recommendation

We recommend Belcourt Public School District #7 consider the additional risk of having the auditors assist in the preparation of the adjusting entries to the financial statements and consider preparing them in the future.

Belcourt Public School District's Response

The District has decided to accept the degree of risk associated with the District not conducting its own adjusting journal entries due to the time and expense necessary to have staff prepare the entries prior to the annual audit.

Corrective Action Taken

None. See current year finding 2021-001.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2020-002 MATERIAL WEAKNESS – FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

Belcourt Public School District #7 currently does not prepare the financial statements, including the accompanying note disclosures, as required by the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Cause

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

Effect

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

Recommendation

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

Belcourt Public School District's Response

The District has decided to accept the degree of risk associated with the District not conducting its own adjusting journal entries due to the time and expense necessary to have staff prepare the entries prior to the annual audit.

Corrective Action Taken

None. See current year finding 2021-002.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2020-003 SIGNIFICANT DEFICIENCY – 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 entity's goals in reporting reliance, and accountability.

Condition

Belcourt Public School District #7 does not currently prepare a fraud risk assessment of the entire entity.

Cause

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

Effect

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

Recommendation

We recommend Belcourt Public School District #7 prepare a fraud risk assessment in order to identify areas of concern within the District to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

Belcourt Public School District's Response

The District will prepare a fraud risk assessment for all District financial areas such as accounting, payroll, purchasing, contracting and information technology. The District will assemble a diverse team consisting of administrators, business manager, directors, and outside consultants to prepare a fraud risk assessment tool with responses. Anti-fraud risk assessment and controls will be designed appropriately and executed by competent, objective and segregated individuals. The fraud risk assessment will specify anti-fraud controls established by the school board to determine or identify potential fraud risks. The school board will review the completed fraud risk assessment and will provide comments, recommendations or policy changes as the school board deems necessary.

Corrective Action Taken

Yes.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

2020-004 SIGNIFICANT DEFICIENCY – UNCASHED CHECKS

Criteria

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

Condition

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

Cause

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

Effect

Belcourt Public School District may not be in compliance with N.D.C.C. §47-30.1-02.0(1),(2).

Recommendation

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

Belcourt Public School District's Response

The District will ensure compliance with N.D.C.C. §47-30.1-02.1(1),(2) and N.D.C.C. §15.1-07-13 as well as remit outstanding checks which remain uncashed for more than two years to the state treasurer.

Corrective Action Taken

Yes.



**TURTLE MOUNTAIN COMMUNITY SCHOOL
BELCOURT SCHOOL DISTRICT NO. 7**

PO BOX 440
BELCOURT, ND 58316-440
PHONE: (701) 477-6471
FAX: (701) 477-6444

We Are An Equal Opportunity Employer

Corrective Action Plan - June 30, 2021

2021-001 MATERIAL WEAKNESS – ADJUSTING JOURNAL ENTRIES

Condition:

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

Corrective Action Plan:

The Belcourt Public School District management will not address identifying number 2021-001, “Adjusting Journal Entries”, as the Belcourt Public School District management remains resolute at this time to continue having the “auditors” do the financial adjusting journal entries for the District. The District has decided to accept the degree of risk associated with the District not conducting its own adjusting journal entries due to the time and expense necessary to have staff prepare the entries prior to the annual audit. The Belcourt Public School District management maintains it is beneficial for continuation of adjusting journal entries being made by the auditors.

Anticipated Completion Date:

Fiscal Year 2021-22

2021-002 MATERIAL WEAKNESS – FINANCIAL STATEMENT PREPARATION

Condition:

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

Corrective Action Plan:

The Belcourt Public School District management will not address identifying number 2021-002, “Financial Statement Preparation”, as District management remains resolute at this time to continue having the “auditors” do the financial statement preparation for the District. The District has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit. The Belcourt Public School District management maintains it is beneficial for continuation of Financial Statement Preparation being made by the auditors.

Anticipated Completion Date:

Fiscal Year 2021-22