

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

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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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

Opinions

We have audited the accompanying modified cash basis 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Belcourt Public School District #7, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—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—Prior Period Adjustment

As described in Note 13 to the financial statements, the District has retroactively restated previously reported net position to properly reflect construction in progress.

Responsibilities of Management's 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 for Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belcourt Public School District #7's basic financial statements. The accompanying budgetary comparison schedule for the general fund is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

March 19, 2024

BELCOURT PUBLIC SCHOOL DISTRICT #7
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2023

ASSETS

Cash & Investments	\$ 15,735,291
Restricted Cash & Investments	5,276,096
Capital Assets	
Construction in Progress	325,989
Buildings	13,557,337
Equipment	9,497,691
Vehicles	5,063,508
Less Accumulated Depreciation	<u>(10,866,217)</u>
Total Capital Assets	<u>17,578,308</u>

TOTAL ASSETS	<u><u>38,589,695</u></u>
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LIABILITIES

Current Liabilities:	
Bonds Payable Within a Year	<u>190,000</u>
Total Current Liabilities	<u>190,000</u>
Long-Term Liabilities:	
Bonds Payable (Net of Current Portion)	<u>3,458,112</u>
Total Non-Current Liabilities	<u>3,458,112</u>

TOTAL LIABILITIES	<u><u>3,648,112</u></u>
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NET POSITION

Net Investment in Capital Assets	13,930,196
Restricted for Federal Grants	5,276,096
Restricted for Student Activities	72,426
Unrestricted	<u>15,662,865</u>

TOTAL NET POSITION	<u><u>\$ 34,941,583</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, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instructional Support Services	\$ 6,745,143	\$ -	\$ -	\$ (6,745,143)
Administration	3,584,613	-	-	(3,584,613)
Operations and Maintenance	1,629,671	-	-	(1,629,671)
Transportation	1,544,379	-	795,346	(749,033)
Regular Instruction	16,060,206	165,812	22,415,160	6,520,766
Special Education	3,611,470	-	3,804,815	193,345
Vocational Education	1,090,402	-	72,454	(1,017,948)
Extra-Curricular Activities	1,808,392	203,632	-	(1,604,760)
Food Services	2,067,953	-	1,403,238	(664,715)
Other Programs & Services	542,396	-	-	(542,396)
Interest and Fees on Long-Term Debt	103,931	-	-	(103,931)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 38,788,556	\$ 369,444	\$ 28,491,013	(9,928,099)
GENERAL REVENUES				
Aids and Payments from the State				14,239,753
Miscellaneous Revenue				132,193
Unrestricted Investment Earnings				159,963
Gain on Sale of Asset				13,624
TOTAL GENERAL REVENUES				14,545,533
Change in Net Position				4,617,434
Net Position - Beginning, As Previously Reported				31,333,455
Prior Period Adjustment, See Note 13				(1,009,306)
Net Position - Beginning, As Restated				30,324,149
Net Position - Ending				<u>\$ 34,941,583</u>

See Notes to the Basic Financial Statements

BELCOURT PUBLIC SCHOOL DISTRICT #7
BALANCE SHEET – GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
JUNE 30, 2023

	General Fund	Food Service	Total Governmental Funds
ASSETS			
Cash & Investments	\$ 15,719,703	\$ 15,588	\$ 15,735,291
Restricted Cash & Investments	5,276,096	-	5,276,096
TOTAL ASSETS	<u>\$ 20,995,799</u>	<u>\$ 15,588</u>	<u>\$ 21,011,387</u>
FUND BALANCES			
Assigned - Food Service	\$ -	\$ 15,588	\$ 15,588
Restricted for Federal Grants	5,276,096	-	5,276,096
Restricted for Student Activities	72,426	-	72,426
Unassigned	15,647,277	-	15,647,277
TOTAL FUND BALANCES	<u>\$ 20,995,799</u>	<u>\$ 15,588</u>	<u>\$ 21,011,387</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, 2023

Total fund balances - governmental funds \$ 21,011,387

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	\$ 28,444,525	
Less: accumulated depreciation	<u>(10,866,217)</u>	
Net		17,578,308

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	(3,555,000)
Bond Premium	<u>(93,112)</u>

Net Position - Governmental Activities \$ 34,941,583

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, 2023

	General Fund	Food Service	Total Governmental Funds
REVENUES			
Charges for Services	\$ 165,812	\$ -	\$ 165,812
Revenue from State Sources	15,035,099	2,538	15,037,637
Revenue from Federal Sources	26,396,550	1,296,579	27,693,129
Interest	159,963	-	159,963
Other Revenue	313,140	22,685	335,825
	<u>42,070,564</u>	<u>1,321,802</u>	<u>43,392,366</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
Instructional Support Services	6,653,370	-	6,653,370
Administration	3,584,613	-	3,584,613
Operations and Maintenance	1,435,928	-	1,435,928
Transportation	1,544,379	-	1,544,379
Regular Instruction	15,326,020	-	15,326,020
Special Education	3,611,470	-	3,611,470
Vocational Education	1,090,402	-	1,090,402
Extra-Curricular Activities	1,808,392	-	1,808,392
Food Services	275,450	1,792,503	2,067,953
Other Programs & Services Function	542,396	-	542,396
Capital Outlay	1,917,117	-	1,917,117
Debt Service:			
Principal Retirement	185,000	-	185,000
Interest and Fiscal Charges on Long-Term Debt	110,138	-	110,138
	<u>38,084,675</u>	<u>1,792,503</u>	<u>39,877,178</u>
TOTAL EXPENDITURES			
Excess (Deficiency) of Revenues over Expenditures	3,985,889	(470,701)	3,515,188
OTHER FINANCING SOURCES			
Proceeds on Disposal of Capital Assets	13,624	-	13,624
Transfers Out	(449,010)	-	(449,010)
Transfers In	-	449,010	449,010
	<u>(435,386)</u>	<u>449,010</u>	<u>13,624</u>
TOTAL OTHER FINANCING SOURCES (USES)			
Net Change in Fund Balances	3,550,503	(21,691)	3,528,812
Fund Balance - Beginning of Year	17,445,296	37,279	17,482,575
Fund Balance - End of Year	<u>\$ 20,995,799</u>	<u>\$ 15,588</u>	<u>\$ 21,011,387</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, 2023

Total net change in fund balances - Governmental Funds	\$	3,528,812
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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	\$	1,917,117	
Depreciation Expense		<u>(1,019,702)</u>	897,415

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.

185,000

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

6,207

Change in net position - Governmental Activities	\$	<u><u>4,617,434</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, 2023

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, 2023

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. The District also does not report any lease or SBITA liabilities or related assets. 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 occur when 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, 2023

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, 2023

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, 2023

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, 2023

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, 2023, the School District's carrying amount of deposits totaled \$21,011,387, and the bank balances totaled \$22,298,227. 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, 2023

Restricted Cash

The District has \$5,276,096 of cash restricted as of June 30, 2023. This represents funding received from Federal grants that have not been expended as of June 30, 2023.

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, 2023 was as follows:

	Balance 7/1/2022	Additions	Disposals	Transfers	Prior Period Adjustments	Balance 6/30/2023
Governmental Activities:						
Capital Assets Not Being Depreciated						
Construction in Progress	\$ 2,116,331	\$ 467,162	\$ -	\$ (1,248,198)	\$ (1,009,306)	\$ 325,989
Total	<u>2,116,331</u>	<u>467,162</u>	<u>-</u>	<u>(1,248,198)</u>	<u>(1,009,306)</u>	<u>325,989</u>
Capital Assets Being Depreciated						
Buildings	12,309,139	-	-	1,248,198	-	13,557,337
Equipment	8,884,995	614,196	1,500	-	-	9,497,691
Vehicles	4,755,281	835,759	527,532	-	-	5,063,508
Total	<u>25,949,415</u>	<u>1,449,955</u>	<u>529,032</u>	<u>1,248,198</u>	<u>-</u>	<u>28,118,536</u>
Less Accumulated Depreciation						
Buildings	1,581,888	284,947	-	-	-	1,866,835
Equipment	5,655,177	358,250	1,500	-	-	6,011,927
Vehicles	3,138,482	376,505	527,532	-	-	2,987,455
Total	<u>10,375,547</u>	<u>1,019,702</u>	<u>529,032</u>	<u>-</u>	<u>-</u>	<u>10,866,217</u>
Net Capital Assets Being Depreciated	<u>15,573,868</u>	<u>430,253</u>	<u>-</u>	<u>1,248,198</u>	<u>-</u>	<u>17,252,319</u>
Net Capital Assets for Governmental Activities	<u>\$ 17,690,199</u>	<u>\$ 897,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,009,306)</u>	<u>\$ 17,578,308</u>

Depreciation expense was charged to the following governmental functions:

Regular Instruction	\$ 734,186
Support Services	91,773
Operation & Maint	193,743
Total	<u>\$ 1,019,702</u>

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 4 LONG-TERM LIABILITIES

During the year ended June 30, 2023, the following changes occurred in governmental activities long-term liabilities:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
Construction Fund Bonds of 2010	\$ 3,740,000	\$ -	\$ 185,000	\$ 3,555,000	\$ 190,000
Premium on Bonds Payable	99,319	-	6,207	93,112	
Total	<u>\$ 3,839,319</u>	<u>\$ -</u>	<u>\$ 191,207</u>	<u>\$ 3,648,112</u>	<u>\$ 190,000</u>

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

Year	Principal	Interest	Total
2024	\$ 190,000	\$ 104,513	\$ 294,513
2025	195,000	98,738	293,738
2026	205,000	92,738	297,738
2027	210,000	86,513	296,513
2028	215,000	80,138	295,138
2029-2033	1,175,000	298,537	1,473,537
2034-2038	1,365,000	107,781	1,472,781
Total	<u>\$ 3,555,000</u>	<u>\$ 868,958</u>	<u>\$ 4,423,958</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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of 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, 2023

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, 2023

Plan Contributions

For the year ended June 30, 2023, the District contributed \$1,328,195 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 Annual Comprehensive Financial Report (ACFR) 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. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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, 2023

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, 2023, the District contributed \$467,307 to the plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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. 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 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

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the 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, 2023, the District contributed \$58,818 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 (NDIRF), 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 NDIRF for its general liability, auto, personal injury and property damage, errors and omissions, and inland marine insurance coverage. The coverage by NDIRF 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.

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 8 TRANSFERS

The purpose of the \$449,010 transfer is to fund operations of the food service program.

NOTE 9 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 10 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.

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material effect on the overall financial position of the District as of June 30, 2023.

NOTE 11 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,	
2024	\$ 25,000
	<u>\$ 25,000</u>

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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

NOTE 13 PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment recorded in 2023 decreasing construction in progress by \$1,009,306 due to expenses that were inadvertently double recorded in 2022.

NOTE 14 SUBSEQUENT EVENTS

In February 2024, the District entered into a contract for the construction of a heated storage building in the amount of \$680,500. No other significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 19, 2024, 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, 2023

	Original and Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Charges for Services	\$ 170,000	\$ 165,812	\$ (4,188)
Revenue From State Sources	15,097,106	15,035,099	(62,007)
Revenue From Federal Sources	46,270,268	26,396,550	(19,873,718)
Interest	62,000	159,963	97,963
Other Revenue	38,500	313,140	274,640
TOTAL REVENUES	<u>61,637,874</u>	<u>42,070,564</u>	<u>(19,567,310)</u>
EXPENDITURES			
Current:			
Instructional Support Services	11,067,033	6,653,370	(4,413,663)
Administration	4,181,614	3,584,613	(597,001)
Operations and Maintenance	2,226,110	1,435,928	(790,182)
Transportation	3,001,545	1,544,379	(1,457,166)
Regular Instruction	24,965,251	15,326,020	(9,639,231)
Special Education	5,518,451	3,611,470	(1,906,981)
Vocational Education	1,239,702	1,090,402	(149,300)
Extra-Curricular Activities	1,941,706	1,808,392	(133,314)
Food Services	423,001	275,450	(147,551)
Other Programs & Services Function	412,473	542,396	129,923
Capital Outlay	1,941,706	1,917,117	(24,589)
Debt Service:			
Principal Retirement	185,000	185,000	-
Interest and Fiscal Charges on Long-Term Debt	117,950	110,138	(7,812)
TOTAL EXPENDITURES	<u>57,221,542</u>	<u>38,084,675</u>	<u>(19,136,867)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,416,332</u>	<u>3,985,889</u>	<u>(430,443)</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	<u>(449,010)</u>	<u>(449,010)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(449,010)</u>	<u>(435,386)</u>	<u>13,624</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>3,967,322</u>	<u>3,550,503</u>	<u>(416,819)</u>
Fund Balances - Beginning	<u>17,445,296</u>	<u>17,445,296</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 21,412,618</u>	<u>\$ 20,995,799</u>	<u>\$ (416,819)</u>

See Note to the Supplementary Information

BELCOURT PUBLIC SCHOOL DISTRICT #7
NOTE TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

<u>AL #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Education</u>			
84.060A	Indian Education Grants to Local Educational Agencies		\$ 448,790
84.041	Impact Aid		112,183
	Total Direct Programs		<u>560,973</u>
IDEA B/Preschool Grant Cluster			
84.027	Passed Through the ND State Department of Public Instruction	F84027	46,741
84.027	Passed Through the Turtle Mountain Band of Chippewa Indians	A18AV00676	2,452,807
84.173	Passed Through the ND State Department of Public Instruction	F84173A	310
	Total IDEA B Cluster		<u>2,499,858</u>
Passed Through North Central Education Cooperative			
84.287	Twenty-First Century Community Learning Centers	F84287	61,523
Title I Program Aid			
84.010	Passed Through the ND State Department of Public Instruction	F84010	3,977,667
84.010	Passed Through the Turtle Mountain Band of Chippewa Indians	A18AV00676	1,741,871
	Total 84.010		<u>5,719,538</u>
CLSD Grant			
84.371C2	Passed Through the ND State Department of Public Instruction	F84371C2	213,172
Title IV Student Support & Academic Enrichment			
84.424	Passed Through the ND State Department of Public Instruction	F84424	768,686
84.424	Passed Through the Turtle Mountain Band of Chippewa Indians	A18AV00676	108,172
	Total Title IV Student Support & Academic Enrichment		<u>876,858</u>
Education Stabilization Fund			
84.425D	COVID-19 Passed Through the ND State Department of Public Instruction	F84425D	9,377,517
84.425C	COVID-19 Passed Through the Turtle Mountain Band of Chippewa Indians	A18AV00676	1,867
84.425D	COVID-19 Passed Through the Turtle Mountain Band of Chippewa Indians		907,527
	Total 84.425 Education Stabilization Fund		<u>10,286,911</u>
Rural Education			
84.358	Passed through the State Department of Public Instruction	F84358B	53,735
84.367	Title II Part A - Teacher and Principal Quality	F84367A	348,173
Passed Through ND Department of Career and Technical Education			
84.048	Carl Perkins	F84048A	47,440
Passed Through the Turtle Mountain Band of Chippewa Indians:			
84.181	IDEAC/Special Education - Grants for Infants and Families	A18AV00676	459,496
84.181	IDEA B ARP	A18AV00676	95,050
	Total 84.181		<u>554,546</u>
84.336	Title II Part A - Teacher Quality Partnership Grants	A18AV00676	268,666
	Total Passed Through the Turtle Mountain Band of Chippewa Indians		<u>823,212</u>
	Total Department of Education		<u>21,491,393</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, 2023

<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:			
10.553	Child Nutrition - School Breakfast	F10553	\$ 298,535
10.555	Child Nutrition - School Lunch	F10555	838,188
10.555S	School/CN Supply Chain Assistance	F10555S	42,408
10.559	COVID-19 Summer Food Service	F10559	40,887
10.555	Commodity Assistance Program	F10555	99,229
10.559	COVID-10 Commodity Assistance	F10559	9,508
10.582	Fruit and Vegetable Grant	F10582	63,234
	Total Child Nutrition Cluster		<u>1,391,989</u>
10.560	State Administration Expenses for Child Nutrition	F10560	8,710
	Total Department of Agriculture		<u>1,400,699</u>
<u>Department of Interior</u>			
Passed Through the Turtle Mountain Band of Chippewa Indians			
15.042	Indian School Equalization Program	A18AV00676	3,825,588
15.149	Program Adjustment	A18AV00676	83,181
15.151	Education Program Enhancements	A18AV00676	176,125
15.046	Administrative Cost Grants for Indian Schools	A18AV00676	1,071,912
	Total Department of Interior		<u>5,156,806</u>
	TOTAL		<u>\$ 28,048,898</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, 2023

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. Food service expenditures are recognized when claims are received.

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.

NOTE 5 PASS-THROUGH ENTITIES

The School District received federal awards both directly and indirectly through pass-through entities. The School District has provided pass through numbers where available.

**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 modified cash basis 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, 2023, 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 19, 2024.

Report on 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 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Belcourt Public School District #7's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Belcourt Public School District #7's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 19, 2024

**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

Qualified and Unmodified Opinions

We have audited Belcourt Public School District #7's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, 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 the Education Stabilization Fund for the year ended June 30, 2023.

Unmodified Opinion on Each the Other Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Belcourt Public School District #7 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Belcourt Public School District #7's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, Belcourt Public School District #7 did not comply with requirements regarding the Education Stabilization Fund Program as described in finding number 2023-003 for Special Tests and Provisions.

Compliance with such requirement is necessary, in our opinion, for Belcourt Public School District #7 to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Belcourt Public School District #7's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Belcourt Public School District #7's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Belcourt Public School District #7's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Belcourt Public School District #7's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Belcourt Public School District #7's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Belcourt Public School District #7's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-004 and 2023-005.

Government Auditing Standards requires the auditor to perform limited procedures on Belcourt Public School District #7's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Belcourt Public School District #7's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-004 and 2023-005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Belcourt Public School District #7's responses to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Belcourt Public School District #7's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Brady Martz

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

March 19, 2024

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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:

Qualified and 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 or Cluster

10.553; 10.555; 10.559; 10.582

Child Nutrition Cluster

15.046

Administrative Cost Grants for Indian Schools

84.027; 84.173

Special Education Cluster (IDEA)

84.424

Student Support and Academic Enrichment Program

84.425

Education Stabilization Fund

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

\$841,467

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, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 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.

Repeat Finding

See prior year finding 2022-001.

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, 2023

2023-002 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.

Repeat Finding

See prior year finding 2022-002.

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.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-003

Assistance Listing Number 84.425 Education Stabilization Fund
Department of Education
North Dakota Department of Public Instruction
Turtle Mountain Band of Chippewa Indians
Special Tests and Provisions
2 CFR Part 200, Appendix II

Criteria

For construction contracts and subcontracts greater than \$2,000 funded with federal dollars, the District should verify prevailing wage rate clauses were included in the contract or subcontract and for each week in which work was performed under the contract or subcontract the District should monitor certified payroll registers to ensure contractors and subcontractors were paying employees the prevailing wage rates.

Condition

The District did not provide the wage rate clauses to contractors. In addition, the District did not obtain from contractors the certified payroll registers, nor did they perform testing to ensure contractors were paying the prevailing wage rates.

Context

The District had one construction project carried over from the prior year in which wage rate clauses were not provided, in addition the District did not obtain from contractors the certified payroll registers, nor did they perform testing to ensure contractors were paying the prevailing rates.

Cause

The District was unaware of the compliance requirements regarding the construction projects.

Effect

The District is not in compliance with Wage Rate Requirements, a part of the Special Tests and Provisions.

Questioned Costs

Undeterminable.

Repeat Finding

See prior year finding 2022-003.

Recommendation

We recommend the District to review the wage rate compliance requirements as part of the special tests and provisions of this program in the compliance supplement and to create and implement a process of submitting prevailing wage rates to contractors as well as obtaining the certified payroll registers to determine if contractors are in compliance.

Management's Response

See corrective action plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-004

Assistance Listing Number 84.425 Education Stabilization Fund
Department of Education
North Dakota Department of Public Instruction
Turtle Mountain Band of Chippewa Indians
Equipment/Real Property Management

Criteria

Governors, SEAs, and subrecipients must receive prior approval for capital expenditures for equipment acquisition or improvements to land, buildings, or equipment. For capital equipment or improvements to land, buildings, or equipment that were purchased with grant funds, the Governor or SEA, as the pass-through entity, must provide prior approval to subrecipients.

Condition

The District did not obtain prior approval for equipment acquisition. In addition, the approval received was for less than the expenditures incurred.

Context

The District purchased one capital asset during the year in which prior approval was needed to be obtained.

Cause

The District did not properly submit for prior approval for equipment acquisition until after the purchase had been made. The request for equipment acquisition was also submitted for less than the acquisition amount.

Effect

Noncompliance with Equipment/Real Property Management requirements.

Questioned Costs

Undeterminable.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the District to review all compliance requirements of federal programs to ensure they have procedures to ensure compliance with those requirements and for the requests for acquisition to be made timely and for the appropriate expenditure amount.

Management's Response

See corrective action plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-005

Assistance Listing Number 84.027; 84.173 Special Education Cluster (IDEA)
Department of Education
North Dakota Department of Public Instruction
Turtle Mountain Band of Chippewa Indians
Maintenance of Effort
34 CFR Part 300.203

Criteria

IDEA Part B funds received by a local education agency (LEA) cannot be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds, or a combination of state and local funds, below the level of those expenditures for the proceeding year.

Condition

District expenditures made with state and local funds fell below the level of those expenditures for the preceding year.

Cause

The District used funding received from the ESSER program to reduce the expenditures paid for with state and local funding.

Effect

Noncompliance with Maintenance of Effort requirements.

Questioned Costs

Undeterminable.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the District to monitor expenditures made with state and local funding to ensure the level of expenditures per student with disabilities remains consistent, or increases, over the prior year.

Management's Response

See corrective action plan.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-001 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 2023-001.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-002 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 2023-002.

BELCOURT PUBLIC SCHOOL DISTRICT #7
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-003

Assistance Listing Number 84.425 Education Stabilization Fund
Department of Education
North Dakota Department of Public Instruction
Turtle Mountain Band of Chippewa Indians
Special Tests and Provisions
2 CFR Part 200, Appendix II

Criteria

For construction contracts and subcontracts greater than \$2,000 funded with federal dollars, the District should verify prevailing wage rate clauses were included in the contract or subcontract and for each week in which work was performed under the contract or subcontract the District should monitor certified payroll registers to ensure contractors and subcontractors were paying employees the prevailing wage rates.

Condition

The District did not provide the wage rate clauses to contractors. In addition, the District did not obtain from contractors the certified payroll registers, nor did they perform testing to ensure contractors were paying the prevailing wage rates.

Cause

The District was unaware of the compliance requirements regarding the construction projects.

Effect

The District is not in compliance with Wage Rate Requirements, a part of the Special Tests and Provisions.

Recommendation

We recommend the District to review the wage rate compliance requirements as part of the special tests and provisions of this program in the compliance supplement and to create and implement a process of submitting prevailing wage rates to contractors as well as obtaining the certified payroll registers to determine if contractors are in compliance.

Belcourt Public School District's Response

The District will plan to get payroll registers monthly from contractors moving forward.

Corrective Action Taken

None. See current year finding 2023-003.



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, 2023

2023-001 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.

Contact Person:

Duane Poitra, Business Manager

Corrective Action Plan:

The Belcourt Public School District management will not address identifying number 2023-001, "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 2023-24

2023-002 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.

Contact Person:

Duane Poitra, Business Manager

Corrective Action Plan:

The Belcourt Public School District management will not address identifying number 2023-002, "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 2023-24

2023-003 MATERIAL WEAKNESS – SPECIAL TESTS AND PROVISIONS

Condition:

The District did not provide the wage rate clauses to contractors. In addition, the District did not obtain from contractors the certified payroll registers, nor did they perform testing to ensure contractors were paying the prevailing wage rates.

Contact Person:

Duane Poitra, Business Manager

Corrective Action Plan:

The contractor indicated that he would not be using payroll in this particular contract, but rather work would be performed by independent contractors. It was not understood by the District that the contractor would be required to provide weekly certified payroll reports indicating that no payroll occurred during the weekly payroll reporting period. Contractors awarded future construction project contracts applicable to payroll reporting will be required to provide weekly certified payroll reports to the Belcourt School District.

Anticipated Completion Date:

Fiscal Year 2023-2024

2023-004 MATERIAL WEAKNESS – Equipment/Real Property Management

Condition:

The District did not obtain prior approval for equipment acquisition. In addition, the approval received was for less than the expenditures incurred.

Contact Person:

Duane Poitra, Business Manager

Corrective Action Plan:

The purchasing agent acquired verification that American Rescue Plan – Elementary and Secondary School Emergency Relief (ESSER III) may be used for IDEA B allowable special education purchases. Moving forward, prior approval will be acquired by District purchasing agents on the ND DPI Capital Expenditure Prior Approval For Use of Federal Funding form before capital purchase is made using federal funding.

Anticipated Completion Date:

April 1, 2024

2023-005 MATERIAL WEAKNESS – Idea Part B Funds

Condition:

District expenditures made with state and local funds fell below the level of those expenditures for the preceding year.

Contact Person:

Duane Poitra, Business Manager

Corrective Action Plan:

District will monitor state and local funding towards special education expenditures to ensure annual compliance with the audit standard of Maintenance of Effort requirements pertaining to Special Education.

Anticipated Completion Date:

April 1, 2024