

**DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
DUNSEITH, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS
JUNE 30, 2018

Roger Counts	President
Clarence Counts	Vice President
Francis Amyotte	Board Member
Brian Azure	Board Member
Verena Gillis	Board Member
Frank Gladue	Board Member
Christopher Strong	Board Member
Pat Brenden	Superintendent
Alva Gladue	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dunseith Public School District No. 1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dunseith Public School District No. 1 as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Adjustment

As described in Note 14 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As discussed in Note 14 to the financial statements, the District has restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

December 30, 2021

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 910,811
Property Taxes Receivable (Net)	51,804
Accounts Receivable	30,878
Due From Other Governments	617,372
Total Current Assets	1,610,865

Non-Current Assets:

Capital Assets	
Land Improvements	7,000
Buildings	8,302,356
Equipment	444,581
Vehicles	975,278
Less Accumulated Depreciation	(4,874,832)
Total Non-Current Assets	4,854,383

TOTAL ASSETS 6,465,248

DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan - TFFR	1,507,498
Cost Sharing Defined Benefit Pension Plan - NDPERS	1,426,525
Cost Sharing Defined Benefit OPEB Plan - NDPERS	30,181

TOTAL DEFERRED OUTFLOWS OF RESOURCES 2,964,204

LIABILITIES

Current Liabilities:

Accounts Payable	510
Accrued Liabilities	50,950
Interest Payable	9,898
Bonds and Notes Payable Within a Year	82,241
Total Current Liabilities	143,599

Long-Term Liabilities:

Bonds and Notes Payable (Net of Current Portion)	968,219
Compensated Absences	281,700
Net Pension Liability	9,043,491
Net OPEB Liability	117,500
Total Non-Current Liabilities	10,410,910

TOTAL LIABILITIES 10,554,509

DEFERRED INFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan - TFFR	71,101
Cost Sharing Defined Benefit Pension Plan - NDPERS	83,238
Cost Sharing Defined Benefit OPEB Plan - NDPERS	7,957

TOTAL DEFERRED INFLOWS OF RESOURCES 162,296

NET POSITION

Net Investment in Capital Assets	3,803,923
Restricted for Special Reserve	57,911
Restricted for Capital Projects	198,428
Unrestricted	(5,347,615)
	(1,287,353)

TOTAL NET POSITION \$ (1,287,353)

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 221,134	\$ -	\$ -	\$ (221,134)
Instructional Support Services	237,592	-	-	(237,592)
Administration	1,042,498	-	-	(1,042,498)
Operations and Maintenance	907,606	-	-	(907,606)
Transportation	155,375	-	241,157	85,782
Regular Instruction	6,548,569	35,390	3,763,495	(2,749,684)
Special Education	366,245	-	17,974	(348,271)
Vocational Education	135,569	-	37,050	(98,519)
Extra-Curricular Activities	372,539	-	-	(372,539)
Food Services	637,461	1,510	348,900	(287,051)
Interest and Fees on Long-Term Debt	19,292	-	-	(19,292)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 10,643,880</u>	<u>\$ 36,900</u>	<u>\$ 4,408,576</u>	<u>(6,198,404)</u>
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				232,358
Property Taxes, Levied for Capital Projects				30,837
Aids and Payments from the State				6,155,690
Unrestricted Investment Earnings				184
TOTAL GENERAL REVENUES				<u>6,419,069</u>
Change in Net Position				<u>220,665</u>
Net Position - Beginning As Originally Reported				(1,408,423)
Prior Period Adjustment - See Note 14				<u>(99,595)</u>
Net Position - Beginning As Restated				<u>(1,508,018)</u>
Net Position - Ending				<u>\$ (1,287,353)</u>

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 661,661	\$ -	\$ 56,251	\$ 192,899	\$ 910,811
Property Taxes Receivable (Net)	44,615	-	1,660	5,529	51,804
Accounts Receivable	-	30,878	-	-	30,878
Due From Other Funds	316,690	-	-	-	316,690
Due From Other Governments	617,372	-	-	-	617,372
TOTAL ASSETS	<u>\$ 1,640,338</u>	<u>\$ 30,878</u>	<u>\$ 57,911</u>	<u>\$ 198,428</u>	<u>\$ 1,927,555</u>
LIABILITIES					
Accounts Payable	\$ 510	\$ -	\$ -	\$ -	\$ 510
Due to Other Funds	-	316,690	-	-	316,690
Accrued Liabilities	50,950	-	-	-	50,950
TOTAL LIABILITIES	<u>51,460</u>	<u>316,690</u>	<u>-</u>	<u>-</u>	<u>368,150</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Uncollected Taxes	29,542	-	1,404	4,675	35,621
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>29,542</u>	<u>-</u>	<u>1,404</u>	<u>4,675</u>	<u>35,621</u>
FUND BALANCES					
Restricted for Special Reserve	-	-	56,507	-	56,507
Restricted for Capital Projects	-	-	-	193,753	193,753
Unassigned	1,559,336	(285,812)	-	-	1,273,524
TOTAL FUND BALANCES	<u>1,559,336</u>	<u>(285,812)</u>	<u>56,507</u>	<u>193,753</u>	<u>1,523,784</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,640,338</u>	<u>\$ 30,878</u>	<u>\$ 57,911</u>	<u>\$ 198,428</u>	<u>\$ 1,927,555</u>

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds		\$ 1,523,784
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 net assets in government funds:		
Cost of capital assets	\$ 9,729,215	
Less: accumulated depreciation	<u>(4,874,832)</u>	
Net		4,854,383
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
		2,801,908
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		35,621
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Notes Payable		(1,050,460)
Compensated Absences		(281,700)
Net Pension Liability		(9,043,491)
Net OPEB Liability		(117,500)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		<u>(9,898)</u>
Net Position - Governmental Activities		<u>\$ (1,287,353)</u>

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total Governmental Funds
REVENUES					
Local Property Tax Levies	\$ 237,543	\$ -	\$ 7,854	\$ 26,162	\$ 271,559
Other Local and County Revenues	34,405	1,510	132	853	36,900
Revenue from State Sources	6,414,821	-	-	-	6,414,821
Revenue from Federal Sources	3,800,545	348,900	-	-	4,149,445
Interest	184	-	-	-	184
TOTAL REVENUES	10,487,498	350,410	7,986	27,015	10,872,909
EXPENDITURES					
Current:					
Business Support Services	221,134	-	-	-	221,134
Instructional Support Services	237,592	-	-	-	237,592
Administration	1,042,498	-	-	-	1,042,498
Operations and Maintenance	907,606	-	-	-	907,606
Transportation	94,568	-	-	-	94,568
Regular Instruction	5,763,347	-	-	-	5,763,347
Special Education	366,245	-	-	-	366,245
Vocational Education	135,569	-	-	-	135,569
Extra-Curricular Activities	365,083	-	-	-	365,083
Food Services	-	637,461	-	-	637,461
Capital Outlay	244,239	-	-	-	244,239
Debt Service:					
Principal Retirement	74,560	-	-	-	74,560
Interest and Fiscal Charges on Long-Term Debt	16,420	-	-	-	16,420
TOTAL EXPENDITURES	9,468,861	637,461	-	-	10,106,322
Excess (Deficiency) of Revenues over Expenditures	1,018,637	(287,051)	7,986	27,015	766,587
OTHER FINANCING SOURCES					
Issuance of Long-Term Debt	135,460	-	-	-	135,460
Transfers Out	(166,671)	-	-	-	(166,671)
Transfers In	-	1,239	1,156	164,276	166,671
TOTAL OTHER FINANCING SOURCES (USES)	(31,211)	1,239	1,156	164,276	135,460
Net Change in Fund Balances	987,426	(285,812)	9,142	191,291	902,047
Fund Balance - Beginning of Year	571,910	-	47,365	2,462	621,737
Fund Balance - End of Year	\$ 1,559,336	\$ (285,812)	\$ 56,507	\$ 193,753	\$ 1,523,784

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total net change in fund balances - Governmental Funds \$ 902,047

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 is allocated over the useful lives as depreciation expense.

Capital Outlays	\$	244,239
Depreciation Expense		<u>(253,474)</u>

Excess of depreciation expense over capital outlay	(9,235)
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Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:

Net change in unavailable property taxes	(8,364)
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	74,560
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:

Compensated Absences	27,289
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Issuance of long-term debt is a long-term liability in the statement of net position. They are netted against repayments of long-term debt which reduce long-term liabilities in the statement of net position.	(135,460)
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Changes in deferred outflows and inflows of resources related to net pension liability	592,705
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Change in net pension liability	(1,220,450)
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Change in net OPEB liability	445
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(2,872)</u>
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Change in net position - Governmental Activities	<u>\$ 220,665</u>
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See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
JUNE 30, 2018

ASSETS	
Cash and Cash Equivalents	<u>\$ 123,311</u>
TOTAL ASSETS	<u><u>\$ 123,311</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 123,311</u>
TOTAL LIABILITIES	<u><u>\$ 123,311</u></u>

See Notes to the Basic Financial Statements

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Dunseith Public School District operates the public schools in the City of Dunseith, North Dakota. There is one elementary school and one junior/senior high school.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization. The school district has the following component unit as defined in GASB Statement No. 61 which should be included in the reporting entity.

Dunseith Public School Building Authority – The Building Authority was created by the school board as a legally separate entity. Its purpose is to promote the educational system of the district by providing financing for use by the school in altering, repairing, maintaining or constructing buildings and making improvements connected to school buildings. The school board is the governing board of the building authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-Wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds are as follows:

General Fund:

This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

Food Service Fund:

This fund is used to record financial transactions related to food service operations. This fund is financed by user charges and grants.

Special Reserve Fund:

A fund established to hold reserve funds.

Building Fund:

The Building Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities. The special assessment fund is included in this category.

The District does not have any non-major governmental funds.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Fiduciary Funds:

The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

Student Activity Fund:

The fund accounts for the financial transactions related to the District's student activity programs.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.
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 fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

The General fund expenditures were \$40,002 over budget at June 30, 2018.

Cash and Cash Equivalents:

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Investments:

Investments are recorded at market value. North Dakota State Statute authorizes school districts to invest their surplus funds 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, instrumentality's, 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 of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at acquisition value at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and Improvements	50 Years
Equipment	10 Years
Vehicles	10 Years

Compensated Absences:

Ancillary or certified staff who are 12-month employees are eligible for vacation leave. There is no maximum amount an individual can accumulate. Upon termination, all accumulative hours will be paid based on the individual's hourly rate. Ancillary staff receive \$125 a day for sick leave for any days not used after 60 days have been accumulated.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Certified staff and teachers receive \$15.63 per hour for sick leave for any of the days not used after they have accumulated 50 days. Upon termination, all accumulative days will be paid. Personal leave is on a “use it or lose it basis” and no personal leave is allowed to be carried over into the next year. Ancillary staff receive \$125 day for personal leave not used at the end of the school year. Certified staff and teachers receive \$15.63 for personal leave not used at the end of the school year.

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District’s government-wide financial statements. The District’s governmental fund financials report only those obligations that will be paid from current financial resources. The debt proceeds are reported as other financing sources and payment of principal and interest as expenditures.

Pensions:

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

Other Post-Employment Benefits (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classifications:

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 resolutions or ordinances of the school board-the

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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 has not granted any official the right to assign amounts to a specific purpose. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

Fund Balance Policy:

The school district's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First nonspendable amounts are determined. Then restricted balances for specific purposes are determined. Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balances if the fund is in a deficit.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS and TFFR pension and NDPERS OPEB plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items reported on the statement of net position as *cost sharing defined*

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

benefit pension plan and cost sharing defined benefit OPEB plan, which represents the actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Inter-fund 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 inter-fund transfers. Inter-fund 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. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and are either unusual in nature or infrequent in occurrence.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2018.

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

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property*

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Taxes. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

Significant Group Concentrations of Credit Risk:

As of June 30, 2018, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds. Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2018, the carrying amount of the District's deposits was \$1,034,122 and the bank balance was \$1,394,156. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

In accordance with its formal investment policy, the District invests its operating funds primarily in short term certificates of deposit and limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in general fixed assets account group during the year:

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2018</u>
Governmental Activities:				
Capital Assets Being Depreciated				
Land Improvements	\$ -	\$ 7,000	\$ -	\$ 7,000
Buildings	8,276,415	25,941	-	8,302,356
Equipment	408,083	36,498	-	444,581
Vehicles	1,093,178	174,800	292,700	975,278
Total	<u>9,777,676</u>	<u>244,239</u>	<u>292,700</u>	<u>9,729,215</u>
Less Accumulated Depreciation				
Land Improvements	-	12	-	12
Buildings	3,896,534	155,451	-	4,051,985
Equipment	207,737	37,204	-	244,941
Vehicles	809,787	60,807	292,700	577,894
Total	<u>4,914,058</u>	<u>253,474</u>	<u>292,700</u>	<u>4,874,832</u>
Net Capital Assets Being Depreciated	<u>4,863,618</u>	<u>(9,235)</u>	<u>-</u>	<u>4,854,383</u>
Net Capital Assets for				
Governmental Activities	<u>\$ 4,863,618</u>	<u>\$ (9,235)</u>	<u>\$ -</u>	<u>\$ 4,854,383</u>

In the governmental activities section of the statement of activities, depreciation expense was charged and capital outlay related to additions to the following governmental functions:

	<u>Additions</u>	<u>Depreciation</u>
Elementary and Secondary Regular Instruction	\$ 62,439	\$ 185,211
Extra Curricular	7,000	7,456
Transportation	174,800	60,807
Total	<u>\$ 244,239</u>	<u>\$ 253,474</u>

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 5 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Summary of Long-Term Debt

	Restated Balance 7/1/2017	Additions	Retirements	Balance 6/30/2018	Due in One Year
Series 2012 Bonds	\$ 965,000	\$ -	\$ (50,000)	\$ 915,000	\$ 50,000
Starion Truck Loan - 2017	24,560	-	(24,560)	-	-
Starion Bus Loan - 2018	-	135,460	-	135,460	32,241
Compensated Absences	308,989	-	(27,289)	281,700	-
Net Pension Liability	7,823,041	4,053,910	(2,833,460)	9,043,491	-
Net OPEB Liability	117,945	40,199	(40,644)	117,500	-
Total	\$ 9,239,535	\$ 4,229,569	\$(2,975,953)	\$ 10,493,151	\$ 82,241

Interest expense was \$19,292 for the year ended June 30, 2018.

Compensated absences, notes payable and net pension liabilities are generally liquidated by the District's general fund.

Impact Aid Certificates of Indebtedness, Series 2012

\$1,145,000 Impact Aid Certificates of Indebtedness, Series 2012 are due in annual installments of \$30,000 to \$75,000 plus interest through August 1, 2032; interest is .75% to 2.25%.

Annual debt service requirements to maturity for the note are as follows:

Impact Aid Certificate of Indebtedness, Series 2012			
Year	Principal	Interest	Total
2019	\$ 50,000	\$ 15,338	\$ 65,338
2020	50,000	14,838	64,838
2021	55,000	14,313	69,313
2022	55,000	13,763	68,763
2023	55,000	13,075	68,075
2024-2028	300,000	51,752	351,752
2029-2033	350,000	19,795	369,795
Total	\$ 915,000	\$ 142,874	\$ 1,057,874

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Capital Lease

Starion Bus Loan – 2018 is due in annual installments of \$36,779 through October 15, 2021; interest is 3.350%.

Annual debt service requirements to maturity for the note are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 32,241	\$ 4,538	\$ 36,779
2020	33,321	3,458	36,779
2021	34,437	2,342	36,779
2022	35,461	1,188	36,649
Total	\$ 135,460	\$ 11,525	\$ 146,985

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

At June 30, 2018, a summary of the governmental fund balance classifications are as follows:

Restricted for:	General Fund	Food Service Fund	Special Reserve Fund	Building Fund	Total
Special Reserve	\$ -	\$ -	\$ 56,507	\$ -	\$ 56,507
Capital Projects	-	-	-	193,753	193,753
Unassigned	1,559,336	(285,812)	-	-	1,273,524
	<u>\$ 1,559,336</u>	<u>\$ (285,812)</u>	<u>\$ 56,507</u>	<u>\$ 193,753</u>	<u>\$ 1,523,784</u>

Restricted fund balances reflect resources restricted for statutorily defined purposes.

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher’s Fund for Retirement (TFFR) or the North Dakota Public Employee 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

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.

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Pension Costs

At June 30, 2018, the District reported a liability of \$6,513,235 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2017, the Employer's proportion was 0.474198 percent which was an increase of 0.0002479 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Employer recognized pension expense of \$721,254. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 24,983	\$ 71,101
Changes in actuarial assumptions	464,239	-
Difference between projected and actual investment earnings	89,966	-
Changes in proportion	524,266	-
Contributions paid to TFFR subsequent to the measurement date	404,044	-
Total	<u>\$ 1,507,498</u>	<u>\$ 71,101</u>

\$404,044 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2019	\$ 206,697
2020	347,813
2021	259,460
2022	104,457
2023	77,968
Thereafter	35,958

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for TFFR.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	7.30%
Global Fixed Income	23.00%	0.80%
Global Real Assets	18.00%	5.20%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30,

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate 6.75%	Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
School's proportionate share of the TFFR net pension liability:	\$ 8,659,462	\$ 6,513,235	\$ 4,726,567

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees' Retirement System

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 seven 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, and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision 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). The annual 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. The plan permits early retirement at ages 55-64 with three or more years of service.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
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Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will 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 covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% 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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

At June 30, 2018, the District reported a liability of \$2,530,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.157420 percent which was an increase of 0.0003030 from its proportion measured July 1, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$429,218. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 15,040	\$ 12,328
Changes in actuarial assumptions	1,037,576	57,069
Difference between projected and actual investment earnings	34,030	-
Changes in proportion	222,456	13,841
Contributions paid to NDPERS subsequent to the measurement date	117,423	-
Total	<u>\$ 1,426,525</u>	<u>\$ 83,238</u>

\$117,423 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2019	\$ 266,799
2020	313,492
2021	278,197
2022	240,864
2023	126,512

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return 7.75%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00%	6.05%
International Equity	21.00%	6.70%
Private Equity	5.00%	10.20%
Domestic Fixed Income	17.00%	1.43%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.16%
Cash Equivalents	1.00%	0.00%

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease in Discount Rate 5.44%	Discount Rate 6.44%	1% Increase in Discount Rate 7.44%
School's proportionate share of the NDPERS net pension liability:	\$ 3,434,900	\$ 2,530,256	\$ 1,777,630

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 8 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$117,500 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the District's proportion was 0.148540 percent.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

For the year ended June 30, 2018, the District recognized OPEB expense of \$14,062. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,866
Changes of assumptions	11,381	-
Net difference between projected and actual earnings on OPEB plan investments	-	4,443
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	648
District contributions subsequent to the measurement date	18,800	-
Total	\$ 30,181	\$ 7,957

\$18,800 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ending June 30:	OPEB Expense Amount
2019	\$ 121
2020	121
2021	121
2022	121
2023	1,232
2024	1,232
Thereafter	476

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37.00%	5.80%
Small Cap Domestic Equities	9.00%	7.50%
International Equities	14.00%	6.20%
Core-Plus Fixed Income	40.00%	1.56%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
District's proportionate share of the net OPEB liability	\$ 147,096	\$ 117,500	\$ 92,131

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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 9 RISK MANAGEMENT

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the 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 District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

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

NOTE 10 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2018 was \$20,845.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 12 COMMITMENTS

Lease Commitments

The District leases copy machines under a non-cancelable operating lease for five years. The following is a schedule of future minimum rentals under the lease at June 30, 2018:

Year Ending June 30,	
2019	\$ 7,564
2020	4,741
2021	4,176
2022	<u>1,392</u>
	<u>\$ 17,873</u>

NOTE 13 NEW PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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

NOTE 14 PRIOR PERIOD ADJUSTMENT

This District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As a result, beginning net position has been restated to reflect the related net OPEB liability and deferred outflows of resources as of July 1, 2017 as follows:

Net Position June 30, 2017, as previously reported	\$(1,408,423)
Restatement for OPEB accounting:	
Net OPEB Liability	(117,945)
OPEB related Deferred Outflows of Resources	18,350
Net Position June 30, 2017, as restated	<u><u>\$(1,508,018)</u></u>

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 15 INTERFUND BALANCES

The District has the following interfund receivables and payables as of June 30, 2018:

	Interfund Receivable	Interfund Payable
General Fund	\$ 316,690	\$ -
Food Service Fund	-	316,690
	\$ 316,690	\$ 316,690

Interfund balances consist of negative cash in the Food Service Fund.

The District performed the following interfund transfers for the year ended June 30, 2018:

Transfers In	Transfers Out	Amount
Food Service Fund	General Fund	\$ 1,239
Special Reserve Fund	General Fund	1,156
Building Fund	General Fund	164,276
		\$ 166,671

Interfund transfers were for expenditures incurred by other funds reimbursed by the General Fund.

NOTE 16 FUND BALANCE DEFICITS

The following reports the District's fund balance deficits as of June 30, 2018:

Fund	Balance at 6/30/2018
Food Service Fund	\$ (285,812)
Total Fund Balance Deficits	\$ (285,812)

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 30, 2021, which is the date these financial statements were available to be issued.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
Local Property Tax Levies	\$ 255,569	\$ 255,569	\$ 237,543	\$ (18,026)
Other Local & County Revenues	97,661	97,661	34,405	(63,256)
Revenue From State Sources	6,259,791	6,259,791	6,414,821	155,030
Revenue From Federal Sources	3,860,238	3,860,238	3,800,545	(59,693)
Interest	-	-	184	184
TOTAL REVENUES	10,473,259	10,473,259	10,487,498	14,239
EXPENDITURES				
Business Support Services	217,808	217,808	221,134	3,326
Instructional Support Services	245,805	245,805	237,592	(8,213)
Administration	823,384	823,384	1,042,498	219,114
Operations and Maintenance	935,214	935,214	907,606	(27,608)
Transportation	226,619	226,619	94,568	(132,051)
Regular Instruction	5,976,528	5,976,528	5,763,347	(213,181)
Special Education	440,983	440,983	366,245	(74,738)
Vocational Education	137,582	137,582	135,569	(2,013)
Extra-Curricular Activities	322,980	322,980	365,083	42,103
Capital Outlay	-	-	244,239	244,239
Principal Retirement	-	-	74,560	(74,560)
Interest and Fiscal Charges on Long-Term Debt	-	-	16,420	(16,420)
TOTAL EXPENDITURES	9,326,903	9,326,903	9,468,861	(40,002)
Excess (Deficiency) of Revenues Over Expenditures	1,146,356	1,146,356	1,018,637	54,241
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(166,671)	166,671
Issuance of Long-Term Debt	-	-	135,460	(135,460)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(31,211)	(31,211)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	1,146,356	1,146,356	987,426	(158,930)
Fund Balances - Beginning	571,910	571,910	571,910	-
Fund Balances - Ending	<u>\$ 1,718,266</u>	<u>\$ 1,718,266</u>	<u>\$ 1,559,336</u>	<u>\$ (158,930)</u>

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2018	\$ 404,044	\$ (404,044)	-	\$ 3,168,971	12.75%
2017	408,090	(408,090)	-	3,200,702	12.75%
2016	330,097	(330,097)	-	2,589,121	12.75%
2015	259,891	(259,891)	-	2,417,614	10.75%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2018	\$ 117,423	\$ (117,423)	-	\$ 1,649,186	7.12%
2017	114,609	(114,609)	-	1,609,674	7.12%
2016	87,634	(87,634)	-	1,230,816	7.12%
2015	73,907	(73,907)	-	1,038,016	7.12%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System - OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2018	\$ 18,800	\$ 18,800	\$ -	\$ 1,649,186	1.14%

The District Implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior year is not available

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.474198%	\$ 6,513,235	\$ 3,200,702	203.49%	63.20%
2016	0.449408%	6,584,094	2,919,917	225.49%	59.20%
2015	0.420923%	5,505,063	2,589,121	212.62%	62.10%
2014	0.416792%	4,367,241	2,417,614	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.157420%	\$ 2,530,256	\$ 1,607,015	157.45%	61.98%
2016	0.127124%	1,238,947	1,281,108	96.71%	70.46%
2015	0.122007%	816,428	1,069,638	76.33%	77.70%
2014	0.123225%	782,135	1,038,016	75.35%	72.12%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2017	0.1485%	\$ 117,500	\$ 1,607,015	7.31%	59.78%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures exceeded budgeted expenditures by \$40,002.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget before September tenth of each year. The budget is then filed with the county auditor by October tenth of each year.
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 fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 – CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015.

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

NDPERS

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise Dunseith Public School District No. 1's basic financial statements and have issued our report thereon dated December 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dunseith Public School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003, 2018-004, 2018-005 and 2018-006 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dunseith Public School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2018-005 and 2018-006.

The District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 30, 2021

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

To the Board of Education
Dunseith Public School District No. 1
Dunseith, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Dunseith Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dunseith Public School District No. 1's major federal programs for the year ended June 30, 2018. The Dunseith Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Dunseith Public School District No. 1's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the District's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in the accompanying schedule of findings and questioned costs, Dunseith Public School District No. 1 did not comply with requirements regarding CFDA 84.010 Title I as described in finding numbers 2018-007 for Allowable Costs/Cost Principles and 2018-008 for Reporting and CFDA 84.041 Impact Aid as described in finding number 2018-008 for Reporting. Compliance with such requirements is necessary, in our opinion, for Dunseith Public School District No. 1 to comply with the requirements applicable to these programs.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dunseith Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Dunseith Public School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

the accompanying schedule of findings and questioned costs as 2018-007 and 2018-008 that we consider to be material weaknesses.

Dunseith Public School District No. 1's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Dunseith Public School District No. 1's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



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

December 30, 2021

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Education</u>			
84.041B	Impact Aid		\$ 2,651,819
84.060	Indian Education Grants to Local Educational Agencies		94,282
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Grants to Local Educational Agencies	F84010	874,442
84.367	Title II Part A - Improving Teacher Quality State Grant	F84367	72,358
84.424	Title IV - Student Support and Academic Enrichment	F84424	15,198
84.287	21st Century	F84287	<u>2,928</u>
Total Passed through ND DPI			<u>964,926</u>
Passed Through the North Dakota Department of Career and Technical Education			
84.048	Career and Technical Education - Basic Grants to States	F84048	<u>37,050</u>
Total Passed Through ND CTE			<u>37,050</u>
Passed Through North Central Education Cooperative			
84.287A	21st Century Community Learning Centers	F84287A	<u>24,006</u>
Total Passed Through North Central Education Cooperative			<u>24,006</u>
Passed Through Turtle Mountain Band of Chippewa Indians			
84.358	Johnson O'Malley		<u>18,342</u>
Total Passed Through Turtle Mountain Band of Chippewa Indians			<u>18,342</u>
Total Department of Education			<u>3,790,425</u>
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
Child Nutrition Cluster:			
10.555	Child Nutrition - School Lunch	F10555	190,923
10.553	Child Nutrition - School Breakfast	F10553	84,461
10.559	Summer Food Service	F10559	51,489
10.555	Food Distribution-Non Cash	F10555	<u>20,845</u>
Total Cluster			347,718
10.560	SAE Food Nutrition	F10560	1,181
10.582	Fruit and Vegetable Grant	F10582	<u>10,121</u>
Total Department of Agriculture			<u>359,020</u>
TOTAL			<u>\$ 4,149,445</u>

See Notes to the Schedule of Expenditures of Federal Awards

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 - INDIRECT COST RATE

Dunseith Public School District No. 1 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Dunseith Public School District No. 1 under programs of the federal government for the year ended June 30, 2018. The information in this schedule 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 Dunseith Public School District No. 1, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 4 - NONMONETARY TRANSACTIONS

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

NOTE 5 - PASS-THROUGH ENTITIES

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

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

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

Federal Awards

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

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

Any audit findings disclosed that are
required to be reported in accordance with
2 CFR 200.516(a)? x yes no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

84.010	Title I
84.041	Impact Aid

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

Auditee qualified as low-risk auditee? yes x no

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 Finding

Criteria

An appropriate system of internal controls requires that the District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's auditors prepared the financial statements as of June 30, 2018. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not 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

This is a repeat finding of 2017-001.

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 entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2018-002 Finding

Criteria

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

Condition

The School District has one employee responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

There is one employee for multiple functions such as executing and recording transactions.

Effect

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

Repeat Finding

This is a repeat finding of 2017-002.

Recommendation

The District should separate the duties as much as possible and ensure the Superintendent and Board continue to monitor financial reports for reasonableness.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2018-003 Finding

Criteria

A procedure to reconcile account balances should be in place.

Condition

Account balances are not reconciled on a monthly basis.

Cause

Accounts were not reconciled on a monthly basis.

Effect

Account balances are not accurate at month and year end.

Repeat Finding

This is a repeat finding of 2017-003.

Recommendation

We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2018-004 Finding

Criteria

All financial statements should be complete and accurate.

Condition

The North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication are not accurate.

Cause

Accounts were not reconciled on a monthly basis. Revenue and expenditure information was not complete or accurate.

Effect

Third-party users of the North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication do not have accurate information.

Repeat Finding

This is a repeat finding of 2017-004.

Recommendation

We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to. The North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication should be prepared after these reconciliations have been performed.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2018-005 Finding

Criteria

North Dakota Century Code (NDCC) 15.1-09-34 states that the board of a school district may not enter a purchase contract involving the expenditure of an aggregate amount greater than fifty thousand dollars unless the school board has received and accepted the bid of the lowest responsible bidder.

Condition

The District purchased a new school bus in the amount of \$167,300. No bid documentation was able to be presented by the District to support compliance with NDCC 15.1-09-34.

Cause

Bids received by the District were not properly maintained.

Effect

The District is not in compliance with NDCC 15.1-09-34.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend for bid documentation on purchases to be maintained in accordance with the District's record retention policy.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2018-006 Finding

Criteria

The District should maintain all supporting documentation for transactions incurred.

Condition

During our audit testing, we have found the following conditions:

- The District was unable to provide supporting documentation to support 10 checks selected for testing, totaling \$173,106.28.
- The District was unable to provide support for transaction approval on preloaded credit card transactions.
- The District was unable to provide support for transactions made with preloaded credit cards and various transactions on regular credit cards.

Cause

The District did not maintain supporting documentation for all transactions.

Effect

The District is unable to support the expenditures incurred.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend for the District to retain all supporting documentation in accordance with the District's record retention policy.

Views of Responsible Officials

See corrective action plan

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-007 Allowable Costs/Cost Principles

Federal Program Information

Funding Agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: 84.010

Criteria

The District must document employee time and effort spent in the Title I program.

Condition

District was missing documentation to support time and effort of faculty member's wages being charged to the Title I program.

Questioned Costs

Undeterminable.

Context

All faculty members were tested. Out of the twelve faculty members tested, twelve of the faculty members did not have the necessary documentation on file. Total amount of salary expense tested was \$214,575. Salary expense for faculty members without time and effort documentation was \$214,575.

Effect

Expenditures improperly or inaccurately being charged to the program.

Cause

The District could not provide support for the compliance requirement being tested.

Recommendation

We recommend the District require all faculty in the Title I program complete time and effort reports, annually.

Repeat Finding

This is a repeat finding of 2017-005.

Views of Responsible Officials

See corrective action plan.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2018-008 Reporting

Federal Program Information

Funding Agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: 84.010

Funding Agency: U.S. Department of Education
Title: Impact Aid
CFDA Number: 84.041

Criteria

To provide reasonable assurance that the reporting requirement to timely file the annual audited financial statements with the Federal Audit Clearinghouse within nine months of the District's year end is met.

Condition

The District's June 30, 2018 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Questioned Costs

Not Applicable

Context

The District's June 30, 2018 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Effect

Non-compliance with Uniform Guidance reporting requirements.

Cause

The District did not contract for audit until after the filing deadline.

Recommendation

Controls should be implemented to contract for audit prior to audit deadline to ensure the District's financial statements are audited and filed with the Federal Audit Clearinghouse within nine months of each year end.

Repeat Finding

This is a repeat finding of 2017-006.

Views of Responsible Officials

See corrective action plan.

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

2017-001 Finding

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the entity currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The entity has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

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

Effect

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

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 entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Corrective Action Taken

See current year finding 2018-001

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2017-002 Finding

Criteria

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

Condition

The School District has one employee responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

There is one employee for multiple functions such as executing and recording transactions.

Effect

The business manager performed duties that included executing and recording transactions.

Recommendation

The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure additional oversight by the superintendent and board regarding financial transaction activity.

Corrective Action Taken

See current year finding 2018-002

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2017-003 Finding

Criteria

A procedure to reconcile account balances should be in place.

Condition

Account balances are not reconciled on a monthly basis.

Cause

Accounts were not reconciled on a monthly basis.

Effect

Account balances are not accurate at month and year end.

Recommendation

We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to.

Corrective Action Taken

See current year finding 2018-003

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2017-004 Finding

Criteria

All financial statements should be complete and accurate.

Condition

The North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication are not accurate.

Cause

Accounts were not reconciled on a monthly basis. Revenue and expenditure information was not complete or accurate.

Effect

Third-party users of the North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication do not have accurate information.

Recommendation

We recommend for a procedure to reconcile account balances on a monthly basis to be created and adhered to. The North Dakota School District Financial Report and Statements of School District Annual Financial Report for Publication should be prepared after these reconciliations have been performed.

Corrective Action Taken

See current year finding 2018-004

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2017-005 Allowable Costs/Cost Principles

Federal Program Information

Funding Agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: 84.010

Criteria

The District must document employee time and effort spent in the Title I program.

Condition

District was missing documentation to support time and effort of one faculty member's wages being charged to the Title I program.

Questioned Costs

Undeterminable.

Context

All faculty members were tested. Out of the eight faculty members tested, one of the faculty members did not have the necessary documentation on file. Total amount of salary expense tested was \$228,031. Salary expense for faculty member without time and effort documentation was \$25,200.

Effect

Expenditures improperly or inaccurately being charged to the program.

Cause

The District could not provide support for the compliance requirement being tested.

Recommendation

We recommend the District require all faculty in the Title I program complete time and effort reports, annually.

Corrective Action Taken

See current year finding 2018-007

DUNSEITH PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2017-006 Reporting

Federal Program Information

Funding Agency: U.S. Department of Education
Title: Title I Grants to Local Educational Agencies
CFDA Number: 84.010

Funding Agency: U.S. Department of Education
Title: Impact Aid
CFDA Number: 84.041

Criteria

To provide reasonable assurance that the reporting requirement to timely file the annual audited financial statements with the Federal Audit Clearinghouse within nine months of the District's year end is met.

Condition

The District's June 30, 2017 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Questioned Costs

Not Applicable

Context

The District's June 30, 2017 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the District's year end.

Effect

Non-compliance with Uniform Guidance reporting requirements.

Cause

The District did not contract for audit until after the filing deadline.

Recommendation

Controls should be implemented to contract for audit prior to audit deadline to ensure the District's financial statements are audited and filed with the Federal Audit Clearinghouse within nine months of each year end.

Corrective Action Taken

See current year finding 2018-008

Dunseith Public Schools

Dunseith School District 1
P.O. Box 789, 101 2nd Avenue SW
Dunseith, ND 58329

Superintendent's Office
(701) 244-0480

Superintendent's Fax
(701) 244-5129

Business Office
(701) 244-0480

Elementary School
(701) 244-5792

Elementary Fax
(701) 244-5183

High School
(701)244-5249
or (701)244-5240

High School Fax
(701)244-9708

CORRECTIVE ACTION PLAN JUNE 30, 2018

2018-001

Contact Person
Evan Peltier

Planned Corrective Action
The District will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2018-002

Contact Person
Evan Peltier

Planned Corrective Action
The District will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2018-003

Contact Person
Evan Peltier

Planned Corrective Action
Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date
The planned completion date will be the start of FY-22.

Dunseith Public Schools

Dunseith School District 1

P.O. Box 789, 101 2nd Avenue SW

Dunseith, ND 58329

CORRECTIVE ACTION PLAN - CONTINUED

Superintendent's Office
(701) 244-0480

JUNE 30, 2018

Elementary School
(701) 244-5792

Superintendent's Fax
(701) 244-5129

Elementary Fax
(701) 244-5183

Business Office
(701) 244-0480

Contact Person
Evan Peltier

High School
(701)244-5249
or (701)244-5240

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

High School Fax
(701)244-9708

Planned Completion Date

The planned completion date will be the start of FY-22.

2018-005

Contact Person

Evan Peltier

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date

The planned completion date will be the start of FY-22.

2018-006

Contact Person

Evan Peltier

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date

The planned completion date will be the start of FY-22.

2018-007

Contact Person

Evan Peltier

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

Planned Completion Date

The planned completion date will be the start of FY-22

Dunseith Public Schools

Dunseith School District 1

P.O. Box 789, 101 2nd Avenue SW

Dunseith, ND 58329

CORRECTIVE ACTION PLAN - CONTINUED

JUNE 30, 2018

Superintendent's Office
(701) 244-0480

Elementary School
(701) 244-5792

Superintendent's Fax
(701) 244-5129

Elementary Fax
(701) 244-5183

Business Office
(701) 244-0480

Contact Person
Fran Peltier

High School
(701)244-5249
or (701)244-5240

Planned Corrective Action

Dunseith Public School Dist. #1 will implement the recommendation from Brady Martz.

High School Fax
(701)244-9708

Planned Completion Date

The planned completion date will be the start of FY-22.