

**FOUR WINDS ELEMENTARY SCHOOL  
FORT TOTTEN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**FOUR WINDS ELEMENTARY SCHOOL**  
**ROSTER OF SCHOOL OFFICIALS - UNAUDITED**  
**JUNE 30, 2015**

Arthur Carmoa	President
David Davidson	Vice President
Ivan Lovejoy	Board Member
Dixie Omen	Board Member
Colleen Chaske	Board Member
Jackie Thompson	Superintendent
Perry Kopp	Business Manager

\* \* \* \* \*



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Four Winds Elementary School  
Fort Totten, North Dakota

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Four Winds Elementary School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School'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 and each major fund of Four Winds Elementary School, as of June 30, 2015, 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 7 to the financial statements, the School's receivables calculated as of June 30, 2014 did not include food service revenue earned prior to year-end. The District's accrued liabilities at June 30, 2014 were not properly recorded. The District also did not record accumulated sick leave at June 30, 2014. As a result, beginning fund balance and net position has been restated to reflect these changes as of July 1, 2015. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### *Required Supplementary Information*

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.

Management has omitted the budgetary comparison information for the General Fund 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 opinions on the basic financial statements are 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 School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 12, 2017 on our consideration of the School'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 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 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 School's internal control over financial reporting and compliance.



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

December 12, 2017

**FOUR WINDS ELEMENTARY SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

<b>ASSETS</b>	
Cash	\$ 1,266
Investments	2,742,870
Due From Other Districts	118,697
Grants Receivable	<u>23,030</u>
Total Current Assets	<u>2,885,863</u>
Capital Assets (Net of Accumulated Depreciation)	
Equipment	<u>1,434,792</u>
<b>TOTAL ASSETS</b>	<u><u>4,320,655</u></u>
<b>LIABILITIES</b>	
Unearned Revenue	2,046,371
Accrued Liabilities	<u>58,283</u>
Total Current Liabilities	<u>2,104,654</u>
Long-Term Liabilities	
Compensated Absences	<u>139,056</u>
Total Long-Term Liabilities	<u>139,056</u>
<b>TOTAL LIABILITIES</b>	<u><u>2,243,710</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,434,792
Unrestricted	<u>642,153</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,076,945</u></u>

See Notes to the Basic Financial Statements

**FOUR WINDS ELEMENTARY SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<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>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instructional Support Services	\$ 112,530	\$ -	\$ -	\$ (112,530.00)
Administration	450,677	-	-	(450,677)
Operations and Maintenance	3,738	-	-	(3,738)
Transportation	476,861	-	320,820	(156,041)
Regular Instruction	6,092,706	-	6,347,404	254,698
Food Service	624,242	11,690	571,200	(41,352)
Special Education	1,273,841	-	1,273,842	1
Extra-Curricular Activities	118,994	-	-	(118,994)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 9,153,589</u></b>	<b><u>\$ 11,690</u></b>	<b><u>\$ 8,513,266</u></b>	<b><u>\$ (628,633)</u></b>
<b>GENERAL REVENUES</b>				
Miscellaneous Revenue				<u>\$ 131,430</u>
<b>TOTAL GENERAL REVENUES</b>				<u>131,430</u>
Change in Net Position				<u>(497,203)</u>
Net Position - Beginning				2,697,293
Prior Period Adjustment - See Footnote #7				<u>(123,145)</u>
Net Position - Beginning As Restated				<u>2,574,148</u>
Net Position - Ending				<u><u>\$ 2,076,945</u></u>

See Notes to the Basic Financial Statements



**FOUR WINDS ELEMENTARY SCHOOL**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,266
Investments	2,742,870
Due From Other Districts	118,697
Grants Receivable	<u>23,030</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,885,863</u></u>
 <b>LIABILITIES</b>	
Accrued Liabilities	\$ 58,283
Unearned Revenue	<u>2,046,371</u>
<b>TOTAL LIABILITIES</b>	<u><u>2,104,654</u></u>
 <b>FUND BALANCES</b>	
Unassigned	<u>781,209</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 2,885,863</u></u>

See Notes to the Basic Financial Statements

**FOUR WINDS ELEMENTARY SCHOOL**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**NET POSITION**  
**JUNE 30, 2015**

Total fund balances - governmental funds		\$ 781,209
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 position in government funds:		
Cost of capital assets	\$ 4,804,914	
Less: accumulated depreciation	<u>(3,370,122)</u>	
Net		1,434,792
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Compensated Absences		<u>(139,056)</u>
Net Position - Governmental Activities		<u><u>\$ 2,076,945</u></u>

See Notes to the Basic Financial Statements

**FOUR WINDS ELEMENTARY SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**– GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>
<b>REVENUES</b>	
Charges for Services	\$ 11,690
Revenue From Federal Sources	8,513,266
Other Revenue	43,103
Interest	<u>88,327</u>
<b>TOTAL REVENUES</b>	<u>8,656,386</u>
<b>EXPENDITURES</b>	
Current:	
Instructional Support Services	112,530
Administration	450,677
Operations and Maintenance	3,738
Transportation	476,861
Regular Instruction	5,661,623
Special Education	1,273,841
Food Services	624,242
Extra-Curricular Activities	118,994
Capital Outlay	<u>135,614</u>
<b>TOTAL EXPENDITURES</b>	<u>8,858,120</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(201,734)</u>
Fund Balance - Beginning of Year	969,642
Prior Period Adjustment - See Footnote #7	<u>13,301</u>
Net Position - Beginning As Restated	<u>982,943</u>
Fund Balance - End of Year	<u><u>\$ 781,209</u></u>

See Notes to the Basic Financial Statements

**FOUR WINDS ELEMENTARY SCHOOL**

**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, 2015**

Total net changes in fund balances - Governmental Funds \$ (201,734)

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	\$ 135,614	
Depreciation Expense	<u>(428,472)</u>	(292,858)

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	\$ <u>(2,611)</u>	<u>(2,611)</u>
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Change in net position - Governmental Activities \$ (497,203)

See Notes to the Basic Financial Statements

**FOUR WINDS ELEMENTARY SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Four Winds Elementary School operates in Fort Totten, North Dakota.

Reporting Entity - Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of an organization's governing body and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the School. Fiscal dependence can include the School's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School'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 School's significant accounting policies are described below.

***Basis of Presentation***

The School'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 School as a whole.

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

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the School. 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, 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 School.

As a general rule, the effect of interfund activity has been eliminated from the school-wide statements.

**FOUR WINDS ELEMENTARY SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2015

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 School 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 School's funds consist of the following:

**Governmental Funds:**

Governmental funds are utilized to account for most of the Schools' 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, deferred inflows and outflows of resources, and liabilities. The School's major governmental fund is as follows:

**General Fund:**

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

***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 outflows and inflows of resources, and liabilities associated with the operation of the School are included in the statement of net position.

*Fund Financial Statements:*

The governmental funds are accounted for 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.

**FOUR WINDS ELEMENTARY SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2015

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 School'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 School'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 School 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.

**Revenues-Exchange and Non-Exchange Transactions:**

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the School receives value without directly providing value in return. Non-exchange transactions include grants, entitlements, and donations.

Under the accrual basis of accounting, revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the School.

Major revenue sources susceptible to accrual include: intergovernmental revenues and investment income.

**Unearned Revenues:**

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

**FOUR WINDS ELEMENTARY SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

**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 School's board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School, annually on or before the last day of July, must levy taxes. The governing body of the School 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 purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the School 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.

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

1. The administration prepares the School'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 budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amounts shown in the financial statements are the final authorized amounts.
3. All appropriations lapse at the close of the School's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

**Cash and Cash Equivalents:**

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

**Investments:**

Investments are recorded at market value. North Dakota State statute authorizes schools 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.



**FOUR WINDS ELEMENTARY SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2015

**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 School's fiscal year. The School has established a capitalization threshold of \$5,000. Donated fixed assets are recorded at their fair market values at the date received. The School does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

Capital assets are depreciated over their estimated useful lives on a straight-line basis. The School has established the following useful lives:

Buildings and Improvements	50 years
Equipment and Fixtures	5 to 20 years
Vehicles	8 years

**Accrued Liabilities and Long-term Obligations:**

All payables, accrued liabilities and long-term obligations are reported in the School's government wide financial statements. The School's governmental fund financials report only those obligations that will be paid from current financial resources.

**Compensated Absences:**

It is the School's policy to permit employees to accumulate earned but unused vacation and sick leave time. The payout of unused vacation and sick leave time will be paid out at \$100 per day up to a maximum of 40 days. All vacation and sick pay is accrued when incurred in the School-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Fund Balance Classifications:**

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items, or legally or contractually required to be maintained intact.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.

*Committed* – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the School's intended use. These constraints are established by the Board of Education and/or management.

**FOUR WINDS ELEMENTARY SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2015

*Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the School's preference is to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

**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 School'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 or 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.

**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.

**NOTE 3 CASH**

**Custodial Credit Risk - Deposits**

In accordance with North Dakota laws, the School 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 School treasurer or in a financial institution other than that furnishing the collateral.

**FOUR WINDS ELEMENTARY SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2015

At June 30, 2015, the carrying amount of the School's deposits was \$1,266 and the bank balance was \$105,375. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the School's Agent in the School's name in amounts sufficient to meet North Dakota legal requirements.

**Credit Risk**

The School may also invest idle funds as authorized by North Dakota laws, as follows:

- a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- d. Obligations of the state.

**Interest Rate Risk**

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk**

The School places no limit on the amount the School 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.

**FOUR WINDS ELEMENTARY SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 4 INVESTMENTS**

As of June 30, 2015, the School had the following investments and maturities:

	6/30/2015						Fair Value Measurements Using			Rating	Agency
		Less than One Year	1-5 Years	6-10 Years	>10 Years	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
<b>Investments by Fair Value Level</b>											
Cash & Cash Alternatives	\$ 147,589	\$ 147,589	\$ -	\$ -	\$ -	\$ 147,589	\$ -	\$ -	N/A	N/A	
Government Sponsored Enterprise Securities											
Federal National Mortgage Association	92,117	-	-	-	92,117	-	92,117	-	Aaa	Moody's	
Asset-Backed Securities, Mortgage-Backed Securities and Collateralized Mortgage Obligations											
Freddie Mac Group	148,581	-	9,965	-	138,616	-	148,581	-	Not Rated	N/A	
FHLMC	7,737	-	-	7,737	-	-	7,737	-	Not Rated	N/A	
FHLMC REMIC	8,889	-	-	-	8,889	-	8,889	-	Not Rated	N/A	
Fannie Mae Pool Conv Long Term	25,998	-	-	-	25,998	-	25,998	-	Not Rated	N/A	
FNMA REMIC Trust	296,155	-	-	-	296,155	-	296,155	-	Not Rated	N/A	
FHLMC REMIC	666,213	-	-	-	666,213	-	666,213	-	Not Rated	N/A	
Fannie Mae Pool Conv Intermediate	4,460	-	-	-	4,460	-	4,460	-	Not Rated	N/A	
Ginnie Mae Pool I 30 YR Single Family	66,148	-	-	-	66,148	-	66,148	-	Not Rated	N/A	
Ginnie Mae Pool I 30 YR Single Family - Platinum	16,897	-	-	-	16,897	-	16,897	-	Not Rated	N/A	
Ginnie Mae Pool II 30 YR Single Family	406,703	-	-	-	406,703	-	406,703	-	Not Rated	N/A	
Ginnie Mae Pool II 30 YR Single Family - Jumbo	181,430	-	-	-	181,430	-	181,430	-	Not Rated	N/A	
Ginnie Mae Pool II 30 YR Single Family - Custom	107,562	-	-	-	107,562	-	107,562	-	Not Rated	N/A	
Ginnie Mae Pool II	78,333	-	-	-	78,333	-	78,333	-	Not Rated	N/A	
GNMA REMIC Trust	488,058	-	-	-	488,058	-	488,058	-	Not Rated	N/A	
<b>Total Investments by Fair Value Level</b>	<b>\$ 2,742,870</b>	<b>\$ 147,589</b>	<b>\$ 9,965</b>	<b>\$ 7,737</b>	<b>\$ 2,577,579</b>	<b>\$ 147,589</b>	<b>\$ 2,595,281</b>	<b>\$ -</b>			

**FOUR WINDS ELEMENTARY SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 5 CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year:

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Governmental Activities				
Vehicles	\$ 389,500	\$ -	\$ -	\$ 389,500
Furniture & Equipment	4,279,800	135,614	-	4,415,414
Total	<u>4,669,300</u>	<u>135,614</u>	<u>-</u>	<u>4,804,914</u>
Less Accumulated Depreciation				
Vehicles	292,125	38,950	-	331,075
Furniture & Equipment	2,649,525	389,522	-	3,039,047
Total	<u>2,941,650</u>	<u>428,472</u>	<u>-</u>	<u>3,370,122</u>
Net Capital Assets for Governmental Activities	<u>\$ 1,727,650</u>	<u>\$ (292,858)</u>	<u>\$ -</u>	<u>\$ 1,434,792</u>

In the governmental activities section of the Statement of Activities, depreciation expense was charged to the following governmental functions:

Transportation	\$ 38,950
Regular Instruction	<u>389,522</u>
	<u>\$ 428,472</u>

**NOTE 6 FUND BALANCE**

The Board of Education has not formally adopted a fund balance policy for the General Fund, however, the Board tries to maintain a year-end target fund balance of 10-20% for cash flow timing needs (working capital) and contingencies.

**NOTE 7 PRIOR PERIOD ADJUSTMENT**

The prior period adjustment consists of \$72,212 due to food service revenue not being set up as a receivable in the prior year. This was recorded as an increase to unassigned fund balance in the Balance Sheet – Governmental Funds as well as to unrestricted net position in the Statement of Net Position. The prior period adjustment also consists of \$58,911 due to accrued liabilities not recorded in the prior year. This was recorded as a decrease to unassigned fund balance in the Balance Sheet – Governmental Funds as well as to unrestricted net position in the Statement of Net Position. There was a prior period adjustment of \$136,446 due to the accumulated sick leave liability not being set up in the prior year. This adjustment was recorded as a decrease to unrestricted net position in the Statement of Net Position.

**NOTE 8 CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**FOUR WINDS ELEMENTARY SCHOOL**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2015

**NOTE 9 PENSION PLANS**

The Four Winds Elementary School has a 401(K) Plan ("Plan") to provide retirement and incidental benefits for its employees. Employees may make matching contributions from 1% to 16% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The School contributes 16% of employee compensation. All participant contributions vest immediately. Employer contributions vest based on years of vesting service and will be 100% after three (3) years of vesting service.

**NOTE 10 NEW PRONOUNCEMENTS**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

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

**NOTE 11 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the School's year end. Subsequent events have been evaluated through December 12, 2017, which is the date these financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**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  
Four Winds Elementary School  
Fort Totten, 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 and each major fund of Four Winds Elementary School as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise Four Winds Elementary School's basic financial statements, and have issued our report thereon dated December 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Four Winds Elementary School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Four Winds Elementary School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **School's Responses to the Findings**

Four Winds Elementary School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Four Winds Elementary School'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

December 12, 2017





CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Educators  
Four Winds Elementary School  
Fort Totten, North Dakota

**Report on Compliance for Each Major Federal Program**

We have audited Four Winds Elementary School's compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of Four Winds Elementary School's major federal programs for the year ended June 30, 2015. Four Winds Elementary School'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Four Winds Elementary School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Four Winds Elementary School's compliance.

### ***Basis for Qualified Opinion on Each Major Program***

As described in the accompanying schedule of findings and questioned costs, the Four Winds Elementary School did not comply with requirements regarding: CFDA 15.042 Indian School Equalization as described in finding number 2015-003 for reporting, 2015-004 for reporting, 2015-005 for special tests and provisions; CFDA 15.043 Indian Child and Family Education as described in finding number 2015-003 for reporting, 2015-004 for reporting; CFDA 15.044 Indian Schools – Student Transportation as described in finding number 2015-003 for reporting, 2015-004 for reporting; CFDA 15.046 Administrative Cost Grants for Indian Schools as described in finding number 2015-003 for reporting, 2015-004 for reporting; CFDA 84.010 Title I Grants to Local Education Agencies as described in finding number 2015-004 for reporting; CFDA 84.027 Special Education Grants to State as described in finding number 2015-003 for reporting, 2015-004 for reporting; and, CFDA 15.U01 MI & R as described in finding number 2015-004 for reporting. Compliance with such requirements is necessary, in our opinion, for the Four Winds Elementary School to comply with the requirements applicable to that program.

### ***Qualified Opinion on Each Major Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Four Winds Elementary School 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 program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Four Winds Elementary School 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 Four Winds Elementary School'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 OMB Circular A-133, 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 Four Winds Elementary School'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 were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-003, 2015-004, and 2015-005 that we consider to be material weaknesses.

Four Winds Elementary School's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Four Winds Elementary School'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

December 12, 2017

**FOUR WINDS ELEMENTARY SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<u>CFDA #</u>	<u>Description</u>	<u>Expenditures</u>
<u>Department of the Interior</u>		
15.042	Indian School Equalization	\$ 3,879,673
15.043	Indian Child and Family Education	353,598
15.044	Indian Schools - Student Transportation	320,820
15.046	Administrative Cost Grants for Indian Schools	455,205
15.151	Education Enhancements	141,387
15.U01	MI & R	<u>160,309</u>
Total Department of the Interior		<u>5,310,992</u>
<u>Department of Education</u>		
84.010	Title I Grants to Local Educational Agencies	1,045,477
84.027	Special Education - Grants to States	1,273,842
84.060	Indian Education - Grants to Local Educational Agencies	32,932
84.336	Teacher Quality Partnership Grants	135,070
84.358	Rural Education	<u>6,160</u>
Total Direct Funding		<u>2,493,481</u>
Passed Through Devils Lake Public School District		
84.287	Twenty-First Century	<u>137,592</u>
Total Passed through Devils Lake Public School District		<u>137,592</u>
Total Department of Education		<u>2,631,073</u>
<u>Department of Agriculture</u>		
Child Nutrition Cluster:		
10.553	School Breakfast Program	186,495
10.555	National School Lunch Program	329,098
10.559	Summer Food Service Program for Children	<u>55,607</u>
Total Cluster		571,200
Total Department of Agriculture		<u>571,200</u>
TOTAL		<u>\$ 8,513,265</u>

See Notes to the Schedule of Expenditures of Federal Awards

**FOUR WINDS ELEMENTARY SCHOOL**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Four Winds Elementary School and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 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.

**FOUR WINDS ELEMENTARY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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?

\_\_\_ yes x 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 Circular A-133, Section .510(a)?

x yes \_\_\_ no

Identification of major programs:

CFDA Number(s) Name of Federal Program of Cluster

15.042	Indian School Equalization
15.043	Indian Child and Family Education
15.044	Indian Schools – Student Transportation
15.046	Administrative Cost Grants for Indian Schools
15.U01	MR & I
84.010	Title I
84.027	Special Education Grants to States

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

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_ yes x no

**FOUR WINDS ELEMENTARY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Section II-Financial Statement Findings**

2015-001 Material Weakness

Criteria

An appropriate system of internal controls requires that the School 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. This requires the School's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition

The School's auditors prepared the financial statements as of June 30, 2015. 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 School must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the School's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Effect

The School currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Views of Responsible Officials

Due to the high cost of a truly qualified professional staff position and the time involved preparing these statements, it is just not feasible to have such personnel available. Other than the task of doing these statements, this individual position isn't needed and is extremely expensive for a School of our size. The remaining staff understand where the School stands, what is needed and how to calculate the information to answer needed questions to maintain the system.

**FOUR WINDS ELEMENTARY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

2015-002 Material Weakness

Criteria

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

Condition

The School has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger.

Effect

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

Recommendation

The School should separate the duties as is feasible.

Views of Responsible Officials

As similar to the response in 2015-001, it is the feasibility issue. We are a very small School with limited resources available with employee's wearing many hats throughout the system in order to save needed resources to make ends meet. We try our best but budgets are limited and we would like expand but limited federal dollars and cutbacks have all but eliminated those thoughts.



**FOUR WINDS ELEMENTARY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Section III-Federal Award Findings**

2015-003 Material Weakness

Federal Program

Indian School Equalization (CFDA #15.042); Indian Child and Family Education (CFDA #15.043); Indian Schools – Student Transportation (CFDA #15.044); Administrative Cost Grants for Indian Schools (CFDA #15.046); Special Education Grants to State (CFDA #84.027) - Reporting

Criteria

Quarterly Federal Financial Reports (SF-425) showing the expenditures incurred are required to be filed.

Condition

Quarterly Federal Financial Reports (SF-425) are prepared for all five (5) programs under one (1) report. All quarterly reports filed for the fiscal year were selected for testing. Two of the quarterly reports were materially understated in regards to the amount of Federal expenditures incurred. We also noted these reports were not formally reviewed and approved by an individual outside of the preparation process.

Questioned Costs

Not Applicable

Context

Quarterly Federal Financial Reports (SF-425) are prepared for all five (5) programs under one (1) report. All quarterly reports filed for the fiscal year were selected for testing. Two of the quarterly reports were materially understated in regards to the amount of Federal expenditures incurred. Of the four reports filed, none of these were formally reviewed and approved by an individual outside of the preparation process.

Effect

Quarterly Federal Financial Reports (SF-425) are not accurately reporting Federal expenditures incurred during the year.

Cause

The Quarterly Federal Financial Reports (SF-425) filed for the year appear to have been prepared using information that did not agree with the general ledger. These reports are also not formally reviewed and approved by an individual outside of the preparation process.

Recommendation

We recommend the Quarterly Federal Financial Reports (SF-425) be prepared using general ledger information from the School's accounting software. This information used for the report preparation should be maintained in accordance with the School's document retention policy. These reports should also be reviewed for accuracy by someone outside of the preparation process.

Views of Responsible Officials

The filing of Form 425 will be initiated from information received from the general ledger information instead of other sources which may miss items not included on the check register or deposit register or other statements. Upon completion, the 425 will be reviewed by the Superintendent for completion and accuracy.

**FOUR WINDS ELEMENTARY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

2015-004 Material Weakness

Federal Program

All Federal Programs - Reporting

Criteria

Audited financial statements are required to be filed within nine (9) months of year end.

Condition

Audit financial statements were not filed with the Federal Audit Clearinghouse within nine (9) months of fiscal year end.

Questioned Cost

Not applicable

Context

The audited financial statements have not been filed with the Federal Audit Clearinghouse for the past few years.

Effect

Non-compliance with the reporting requirements.

Cause

The School did not have their audit performed on a timely basis.

Recommendation

We recommend the School to have their financial statements audited and submitted to the Federal Audit Clearinghouse within nine (9) months of fiscal year end.

Views of Responsible Officials

An audit firm is hired with the capabilities to complete the audit in an accurate and timely manner in order to meet the time frame allowed. The business manager will work closely with auditors also to ensure that this is taking place and keep the Superintendent and School Board informed on the progress.

**FOUR WINDS ELEMENTARY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

2015-005 Material Weakness

Federal Program

Indian School Equalization (CFDA #15.042) – Special Tests and Provisions

Criteria

The Indian Child Protection and Family Violence Prevention Act (25 USC 3201 et seq.) requires Indian tribes and tribal organizations that receive funds under the ISDEAA or the Tribally Controlled Schools Act to conduct an investigation of the character of each individual who is employed or is being considered for employment by such Indian tribe or tribal organization in a position that involves regular contact with, or control over, Indian children. The Act further states that the Indian tribe or tribal organization may employ individuals in those positions only if the individuals meet standards of character, no less stringent than those prescribed under subpart B – Minimum Standards of Character and Suitability for Employment (25 CFR part 63), as the Indian tribe or tribal organization establishes.

Condition

Employees working for this program had character investigations on file at time of employment that included unfavorable results, as identified by the School's investigation provider.

Questioned Cost

Not applicable

Context

We obtained a listing of employees working within the program and performed our test on a sample of ten (10) employees. Of these employees, there were four (4) employees working for this program that had character investigations on file at time of employment that included unfavorable results, as identified by the School's investigation provider.

Effect

Non-compliance with the special test and provisions "Character Investigations by Indian Tribes and Tribal Organizations" compliance requirements.

Cause

The school is required to conduct character investigations of each individual employed or is in a position that involves regular contact with, or control over, Indian children. The School meets this requirement with the performance of background checks done on their behalf by the North Dakota Department of Public Instruction. It appears character investigations are performed after an employee is hired, rather than prior to employment.

Recommendation

The School should be performing character investigations prior to the hiring of any employees. These investigations should be thoroughly reviewed prior to employment.

Views of Responsible Officials

We had a couple of background checks with unfavorable events. After resubmitting the background checks again, the events that were noted in the 2015 reports were events that would not have disqualified them from employment in their positions.

**FOUR WINDS ELEMENTARY SCHOOL**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

2014-001

Condition

The Four Winds Elementary School has a comptroller responsible for most accounting functions.

Criteria

There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the School.

Effect

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the School's financial condition.

Recommendation

Due to the size of the School, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Management's Response

A response is not considered necessary.

Corrective Action Taken

None. See current year finding 2015-002.

**FOUR WINDS ELEMENTARY SCHOOL  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015**

2015-001

Contact Person  
Superintendent

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

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

2015-002

Contact Person  
Superintendent

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

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

2015-003

Contact Person  
Business Manager

Planned Corrective Action  
The Superintendent will review and approve the report that will be completed off of the general ledger before submission.

Planned Completion Date  
Immediately

2015-004

Contact Person  
Superintendent

Planned Corrective Action  
The School will ensure an audit firm is hired in time to submit a timely audit.

Planned Completion Date  
June 30, 2018 audit

**FOUR WINDS ELEMENTARY SCHOOL  
CORRECTIVE ACTION PLAN - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

2015-005

Contact Person  
Superintendent

Planned Corrective Action

The School will get the background checks done during the interview/application phase. We will hold off bringing them on as employees until after we get the background checks completed and back to the School. We will also use the reference list from the Office of the Attorney General to find the codes we need for the background checks so that the search doesn't encompass all offenses listed on the Bureau of Criminal Investigation reference list. Since our School is considered a private School, the North Dakota Century Code does not allow us to get the information from the searches of the State and FBI. We can only get a statement as to if the individual has disqualifying events or not. So, if we get back a report from the DPI with disqualifying events we will have the person call and get the reports and give them to us. That way we can check what disqualifying events (adjudicate) they have and determine if the events would disqualify them from working with Indian children.

Planned Completion Date  
Immediately