

**GRAND FORKS AIR FORCE BASE
PUBLIC SCHOOL DISTRICT NO. 140
GRAND FORKS AIR FORCE BASE, NORTH DAKOTA**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

| | Page |
|---|------|
| ROSTER OF OFFICIALS – UNAUDITED | 1 |
| INDEPENDENT AUDITOR'S REPORT | 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 5 |
| FINANCIAL STATEMENTS | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Balance Sheet – Governmental Funds | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds | 13 |
| Notes to the Financial Statements | 14 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule – General Fund | 22 |
| Note to the Required Supplementary Information | 23 |
| SUPPLEMENTARY INFORMATION | |
| Schedule of Expenditures of Federal Awards | 24 |
| Notes to the Schedule of Expenditures of Federal Awards | 25 |
| 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 | 26 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 28 |
| Schedule of Findings and Questioned Costs | 30 |
| Schedule of Prior Year Findings | 32 |

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
AT JUNE 30, 2016

| | |
|------------------------|--------------------------|
| Mr. Seth Lininger | President |
| Mr. Thomas West | Vice President |
| Mr. Benjamin Puryear | Board Member |
| Mr. Christopher Watson | Board Member |
| Mr. Justin Stone | Board Member |
| Dr. Larry P. Nybladh | Superintendent |
| Mr. Jody Thompson | Assistant Superintendent |
| Mr. Edwin Gerhardt | Business Manager |



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Grand Forks Air Force Base Public School District No. 140
Grand Forks Air Force Base, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grand Forks Air Force Base Public School District No. 140, as of and for the year ended June 30, 2016, 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 and each major fund of the Grand Forks Air Force Base Public School District No. 140, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

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

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 schedule of expenditures of federal awards is presented for 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* (Uniform Guidance), and is also not a required part of the basic 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 November 23, 2016 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 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 District's internal control over financial reporting and compliance.



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

November 23, 2016

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The discussion and analysis of Grand Forks Air Force Base Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position of the District increased by \$538,831 as a result of the current year's operations.
- Governmental net position totaled \$1,928,924.
- Total revenues from all sources were \$3,407,850.
- Total expenses were \$2,869,019.
- The District's general fund had \$3,400,197 in total revenues and \$2,869,019 in expenditures. Overall, the general fund balance is \$1,573,078 at June 30, 2016.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Grand Forks Air Force Base Public School District No. 140 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a couple of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2016." The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses two funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Capital Projects Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. Due to the nature of the District's operations there are no differences between the statements, therefore no reconciliations are needed.

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2016.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

Table 1
Net Position

| | <u>2016</u> | <u>2015</u> | <u>Change</u> |
|---------------------------------------|---------------------|---------------------|-------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 1,751,571 | \$ 1,006,849 | \$ 744,722 |
| Due from Other Governments | 184,063 | 383,244 | (199,181) |
| Total Assets | <u>1,935,634</u> | <u>1,390,093</u> | <u>545,541</u> |
| Liabilities: | | | |
| Account Payable & Accrued Liabilities | 6,710 | - | 6,710 |
| Total Liabilities | <u>6,710</u> | <u>-</u> | <u>6,710</u> |
| Net Position | | | |
| Restricted - Capital Projects | 355,846 | 348,193 | 7,653 |
| Unrestricted | 1,573,078 | 1,041,900 | 531,178 |
| Total Net Position | <u>\$ 1,928,924</u> | <u>\$ 1,390,093</u> | <u>\$ 538,831</u> |

As indicated in the financial highlights, the District's net position increased by \$538,831 for the year ended June 30, 2016. Net position may serve over time as a useful indicator of the District's financial position. The District has a net position balance of \$1,928,924.

Table 2 shows the changes in net position for fiscal year ended June 30, 2016.

Table 2
Changes in Net Position

| | <u>2016</u> | <u>2015</u> | <u>Change</u> |
|--|-------------------|-------------------|---------------------|
| Revenues | | | |
| Capital Grants and Contributions | \$ 7,653 | \$ 23,079 | \$ (15,426) |
| Impact Aid | 3,400,197 | 3,773,375 | (373,178) |
| Total Revenues | <u>3,407,850</u> | <u>3,796,454</u> | <u>(388,604)</u> |
| Expenses | | | |
| Instruction | 2,500,000 | 2,500,000 | - |
| Support Services | | | |
| Executive Administration Services | 44,371 | 45,228 | (857) |
| Business Services | 77,949 | 76,302 | 1,647 |
| Utilities | 139,901 | 219,253 | (79,352) |
| Capital Outlay | - | 6,940 | (6,940) |
| Pupil Transportation Services | 106,798 | 101,377 | 5,421 |
| Total Expenses | <u>2,869,019</u> | <u>2,949,100</u> | <u>(80,081)</u> |
| Increase (Decrease) in Net Position | <u>\$ 538,831</u> | <u>\$ 847,354</u> | <u>\$ (308,523)</u> |

Federal aid made up the total revenues of governmental activities of the District for fiscal year 2016. Instruction comprises 87% of district expenses.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3
Net Costs

| | Total Cost <u>6/30/2016</u> | Net Cost <u>6/30/2015</u> |
|-----------------------------------|-----------------------------------|---------------------------------|
| Expenses | | |
| Instruction | \$ 2,500,000 | \$ 2,500,000 |
| Support Services | | |
| Executive Administration Services | 44,371 | 44,371 |
| Business Services | 77,949 | 77,949 |
| Utilities | 139,901 | 132,248 |
| Pupil Transportation Services | <u>106,798</u> | <u>106,798</u> |
| Total Expenses | <u>\$ 2,869,019</u> | <u>\$ 2,861,366</u> |

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

General administration, school administration, and business services include expenses associated with administrative and financial supervision of the district.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings, keeping equipment in an effective working condition and additions to buildings.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$3,407,850 and expenditures of \$2,869,019 for the year ended June 30, 2016. As of June 30, 2016, the unassigned fund balance of the District's general fund was \$1,573,078. The remaining fund balance of \$355,846 was restricted for capital projects.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

General Fund Budgeting Highlights

The actual revenue for the year ended June 30, 2016 was over budget by \$400,197. The most significant variance was impact aid. The actual expenditures for the year ended June 30, 2016 were under budget by \$130,981. The most significant variance was operations and maintenance. The District did not amend its budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Ed Gerhardt, Business Manager, Grand Forks Public School District, P.O. Box 6000, 2400 47th Avenue South, Grand Forks, ND 58201-3405, or email at ed.gerhardt@gfschools.org.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 1,751,571 |
| Due From Federal Government | 184,063 |
| Total Assets | 1,935,634 |
| Liabilities | |
| Accounts Payable & Accrued Liabilities | 6,710 |
| Total Liabilities | 6,710 |
| Net Position | |
| Restricted - Capital Projects | 355,846 |
| Unrestricted | 1,573,078 |
| Total Net Position | \$ 1,928,924 |

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Capital Grants and Contributions</u> | <u>Net (Expense) Revenue and Changes in Net Position</u> <u>Governmental Activities</u> |
|--------------------------------------|---------------------|---|--|
| Primary Government | | | |
| Governmental Activities | | | |
| Instruction | | | |
| Tuition Paid to Other Districts | \$ 2,500,000 | \$ - | \$ (2,500,000) |
| Support Services | | | |
| Executive Administration Support | 44,371 | - | (44,371) |
| Business Office | 77,949 | - | (77,949) |
| Operations and Maintenance | 139,901 | 7,653 | (132,248) |
| Pupil Transportation | 106,798 | - | (106,798) |
| Total Support Services | <u>369,019</u> | <u>7,653</u> | <u>(361,366)</u> |
| Total Governmental Activities | <u>\$ 2,869,019</u> | <u>\$ 7,653</u> | <u>(2,861,366)</u> |

General Revenues and Transfers

| | |
|---|------------------|
| Federal Aid not Restricted for a Specific Purpose | |
| Impact Aid | 3,400,197 |
| Total General Revenues and Transfers | <u>3,400,197</u> |

| | |
|--------------------------------|---------------------|
| Change in Net Position | 538,831 |
| Net Position, Beginning | <u>1,390,093</u> |
| Net Position, Ending | <u>\$ 1,928,924</u> |

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

| | General Fund | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|----------------------------------|---|
| Assets | | | |
| Cash and Cash Equivalents | \$ 1,395,725 | \$ 355,846 | \$ 1,751,571 |
| Due From Federal Government | 184,063 | - | 184,063 |
| Total Assets | \$ 1,579,788 | \$ 355,846 | \$ 1,935,634 |
| Liabilities | | | |
| Accounts Payable & Accrued Liabilities | \$ 6,710 | \$ - | \$ 6,710 |
| Total Liabilities | 6,710 | - | 6,710 |
| Fund Balance | | | |
| Restricted - Capital Projects | - | 355,846 | 355,846 |
| Unassigned | 1,573,078 | - | 1,573,078 |
| Total Fund Balance | 1,573,078 | 355,846 | 1,928,924 |
| Total Liabilities and Fund Balances | \$ 1,579,788 | \$ 355,846 | \$ 1,935,634 |

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------------|---|
| Revenues | | | |
| Federal Sources | \$ 3,400,197 | \$ 7,653 | \$ 3,407,850 |
| Total Revenues | <u>3,400,197</u> | <u>7,653</u> | <u>3,407,850</u> |
| Expenditures | | | |
| Tuition Paid to Other Districts | 2,500,000 | - | 2,500,000 |
| Executive Administration Support | 44,371 | - | 44,371 |
| Business Office | 77,949 | - | 77,949 |
| Operations and Maintenance | 139,901 | - | 139,901 |
| Pupil Transportation | 106,798 | - | 106,798 |
| Total Expenditures | <u>2,869,019</u> | <u>-</u> | <u>2,869,019</u> |
| Net Change in Fund Balance | 531,178 | 7,653 | 538,831 |
| Fund Balances, Beginning of Year | <u>1,041,900</u> | <u>348,193</u> | <u>1,390,093</u> |
| Fund Balances, End of Year | <u>\$ 1,573,078</u> | <u>\$ 355,846</u> | <u>\$ 1,928,924</u> |

See Notes to the Financial Statements

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2016

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Grand Forks Air Force Base Public School District is a district in which five board members are appointed. The accompanying financial statements present the District's primary government.

The Grand Forks Air Force Base Public School District No. 140 contracts with the Grand Forks Public School District to provide educational services for the pupils that reside in the Grand Forks Air Force Base District. A copy of the Grand Forks Public School District No. 1 financial statements may be obtained through a request of the District's management.

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.

Based on the above criteria there are no component units included in the District's reporting entity.

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.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues not classified as program revenues, are presented as general revenues of the District.

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.

Reconciliations

Accounting principles generally accepted in the United States of America require that all significant differences between the government wide financial statements and the fund financial statements be presented as part of the basic financial statements. The nature of the District's operations does not create any differences between the two statements and therefore the required reconciliation is not necessary.

Fund Accounting

The District's funds consist of the following:

Governmental Funds

Governmental funds are utilized to account for most of the Districts' 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.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

Capital Projects

This fund accounts for the financial resources related to the capital outlays made by the District. Grand Forks Public School District No. 1 owns all of the facilities and capital assets utilized by the Grand Forks Air Force Base Public School District No. 140. However, the Grand Forks Air Force Base Public School District No. 140 is required to provide for some of the maintenance and capital improvements made to the facilities located at the Grand Forks Air Force Base.

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 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 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 in which the governmental activities of the government-wide financial statements are prepared. The nature of the District's operations does not create any differences between the two statements and therefore the required reconciliation is not necessary.

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.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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 District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is 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 District.

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. On the governmental fund financial statements, receivables that will also 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 District's board follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year for the general fund. The school board must adopt the final budget on or before August 15. The final budget must be filed with the District auditor by August 25.

The budget may be amended during the year by the Board; however, no amendment changing the taxes levied can be made after October 10. 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.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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.

Fair Value Measurements

The District accounts for all assets and liabilities that are being measured and reported on fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosures 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. Grand Forks Public School District No. 1 provides and owns all of the real and personal property used by the Grand Forks Air Force Base Public School District No. 140. However, the Grand Forks Air Force Base Public School District No. 140 is required to provide for some of the maintenance and capital improvements made to the facilities located at the Grand Forks Air Force Base.

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.

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 does not have any items that qualify for reporting in this category.

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 does not have any items that qualify for reporting in this category.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Reservations and Designations

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 – pre-paid 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 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 or superintendent has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General fund, that are not classified as non-spendable and are neither restricted nor committed.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

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 externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Interfund Activity

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

NOTE 3 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% of the deposits not covered by insurance or bonds. The District was sufficiently protected at June 30, 2016.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair values of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The District 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.

Credit Risk

Credit risk is the risk that an issuer or the other counterparty to an investment will not fulfill its obligations. North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. The District follows North Dakota law, which authorizes political subdivisions including school districts to invest 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.
- b) Instrumentalities or organizations created by an act of Congress.
- c) 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.
- d) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
- e) Obligations of the state.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2016

NOTE 4 COMMITMENTS AND CONTINGENCIES

A. Agreement with Grand Forks Public School District No. 1

The Grand Forks Air Force Base Public School District No. 140 contracts with the Grand Forks Public School District No. 1 to provide educational services for the pupils that reside in the Grand Forks Air Force Base District. The contract amount is tied to the amount of federal and state aid received for those students.

B. Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Grants

The District receives funding from various grants which are governed by various rules and regulations of the grantor agency. Costs charged to the grant program are subject to audit and adjustment by the grantor agency, therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at June 30, 2016, 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 grant, therefore, no provision has been recorded in the accompanying financial statements for such contingency.

D. Impact Aid

The District receives funding from the Federal Government through the Impact Aid program which is designed to provide additional funding to local school districts that include parcels of land that are owned by the Federal Government and thus exempt from local property taxes or have expenditures that are affected by the enrollment of federally connected children. The amount of funding allocated to each eligible school district is based on an annual count of federally connected children.

NOTE 5 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. The District carries commercial insurance for risks of loss, including workers' compensation and employee health and accident insurance.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage with no limit of liability. The State Bonding Fund does not currently charge any premium for this coverage.

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

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|---|--------------------------------------|---------------------|--------------------------------|
| Revenues | | | |
| Federal Sources | \$ 3,000,000 | \$ 3,400,197 | \$ 400,197 |
| Total Revenues | <u>3,000,000</u> | <u>3,400,197</u> | <u>400,197</u> |
| Expenditures | | | |
| Tuition Paid to Other Districts | 2,500,000 | 2,500,000 | - |
| Executive Administration Support | 75,000 | 44,371 | (30,629) |
| Business Office | 100,000 | 77,949 | (22,051) |
| Operations and Maintenance | 200,000 | 139,901 | (60,099) |
| Pupil Transportation | 125,000 | 106,798 | (18,202) |
| Total Expenditures | <u>3,000,000</u> | <u>2,869,019</u> | <u>(130,981)</u> |
| Net Change in Fund Balance | - | 531,178 | 531,178 |
| Fund Balances, Beginning of Year | <u>1,041,900</u> | <u>1,041,900</u> | - |
| Fund Balances, End of Year | <u>\$ 1,041,900</u> | <u>\$ 1,573,078</u> | <u>\$ 531,178</u> |

See Note to the Required Supplementary Information

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 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 on or before September 30 of each year. The budget is then filed with the District auditor by October 10 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 10 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.

Expenditures in the general fund were under budget by \$130,981 for the year ended June 30, 2016.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

| Federal Grantor/ Pass-Through Grantor/ Program Title | Pass- Through Number | Federal CFDA Number | Amount |
|--|----------------------------|---------------------------|---------------------|
| <u>U.S. Department of Education</u> | | | |
| Direct Programs: | | | |
| <i>Impact Aid:</i> | | | |
| Impact Aid | | 84.041 | \$ 3,400,197 |
| Impact Aid Construction | | 84.041C | <u>7,653</u> |
| Total <i>Impact Aid</i> | | | <u>3,407,850</u> |
| Total U.S. Department of Education | | | <u>3,407,850</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 3,407,850</u> |

See the Notes to the Schedule of Expenditures of Federal Awards

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Grand Forks Air Force Base Public School District No. 140 under programs of the federal government for the year ended June 30, 2016. 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 the Grand Forks Air Force Base Public School District No. 140, it is not intended to and does not present the financial position, changes in net assets or cash flows of Grand Forks Air Force Base Public School District No. 140.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on 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. Grand Forks Air Force Base Public School District No. 140 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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
Grand Forks Air Force Base Public School District No. 140
Grand Forks Air Force Base, 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 the Grand Forks Air Force Base Public School District No. 140 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 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**

November 23, 2016



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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
Grand Forks Air Force Base Public School District No. 140
Grand Forks Air Force Base, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Grand Forks Air Force Base Public School District No. 140's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The 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 each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Grand Forks Air Force Base Public School District No. 140 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



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

November 23, 2016

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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? yes x 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? yes x 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: Unmodified

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.041, 84.041C | Impact Aid and Impact Aid Construction |

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

Auditee qualified as low-risk auditee? X yes no

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings which are required to be reported under this section.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings which are required to be reported under this section.

GRAND FORKS AIR FORCE BASE PUBLIC SCHOOL DISTRICT NO. 140
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There are no findings which are required to be reported under this section.