

**MINOT AIR FORCE BASE DISTRICT NO. 160
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Minot Air Force Base District No. 160
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Minot Air Force Base District No. 160 (the District) as of and for the year ended June 30, 2017, 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 the 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 Minot Air Force Base District No. 160 as of June 30, 2017, 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 budgetary comparison information on pages 18-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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*, and is 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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018 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 the 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.
BISMARCK, NORTH DAKOTA**

January 4, 2018

MINOT AIR FORCE BASE DISTRICT NO. 160
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,794,292
Due from governmental agencies	1,733,385
Total current assets	7,527,677
 LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	15,151
Total current liabilities	15,151
 NET POSITION	
Restricted - capital projects	78,173
Unrestricted	7,434,353
Total net position	\$ 7,512,526

See Notes to the Financial Statements

MINOT AIR FORCE BASE DISTRICT NO. 160
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Capital Grants/ Contributions</u>	<u>Governmental Activities</u>
Primary government					
Governmental activities:					
Tuition	\$ 5,000,000	\$ -	\$ -	\$ -	\$ (5,000,000)
Support services:					
General administration services	54,287	-	-	-	(54,287)
Business services	14,600	-	-	-	(14,600)
Operations and maintenance	2,010,557	-	-	154,638	(1,855,919)
Pupil transportation services	141,377	-	-	-	(141,377)
Total support services	<u>2,220,821</u>	<u>-</u>	<u>-</u>	<u>154,638</u>	<u>(2,066,183)</u>
Other facilities costs	<u>76,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,465)</u>
Total governmental activities	<u>\$ 7,297,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,638</u>	<u>(7,142,648)</u>
General revenues:					
Federal aid not restricted for a specific purpose					
Impact aid					9,048,028
Other federal aid					229,079
Other revenues					<u>35,161</u>
Total general revenues					<u>9,312,268</u>
Change in net position					<u>2,169,620</u>
Net position - beginning					<u>5,342,906</u>
Net position - ending					<u>\$ 7,512,526</u>

See Notes to the Financial Statements

MINOT AIR FORCE BASE DISTRICT NO. 160
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,716,119	\$ 78,173	\$ 5,794,292
Due from governmental agencies	1,733,385	-	1,733,385
Total assets	\$ 7,449,504	\$ 78,173	\$ 7,527,677
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable/accrued expenses	\$ 15,151	\$ -	\$ 15,151
Total liabilities	15,151	-	15,151
Fund balances:			
Restricted-capital projects	-	78,173	78,173
Unassigned	7,434,353	-	7,434,353
Total fund balance	7,434,353	78,173	7,512,526
Total liabilities and fund balances	\$ 7,449,504	\$ 78,173	\$ 7,527,677

See Notes to the Financial Statements

MINOT AIR FORCE BASE DISTRICT NO. 160
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO DISTRICT WIDE
STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance, governmental funds	\$ 7,512,526
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
	<u>-</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 7,512,526</u></u>

See Notes to the Financial Statements

MINOT AIR FORCE BASE DISTRICT NO. 160
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal sources	\$ 9,277,106	\$ 154,638	\$ 9,431,744
Other revenue	35,161	-	35,161
Total revenues	<u>9,312,267</u>	<u>154,638</u>	<u>9,466,905</u>
EXPENDITURES			
Tuition	5,000,000	-	5,000,000
General administration services	54,286	-	54,286
Business services	14,600	-	14,600
Operations and maintenance	2,010,557	-	2,010,557
Pupil transportation services	141,377	-	141,377
Facilities costs	-	76,465	76,465
Total expenditures	<u>7,220,820</u>	<u>76,465</u>	<u>7,297,285</u>
Excess (deficiency) of revenues over expenditures	<u>2,091,447</u>	<u>78,173</u>	<u>2,169,620</u>
Net change in fund balance	2,091,447	78,173	2,169,620
Fund balance - beginning	<u>5,342,906</u>	<u>-</u>	<u>5,342,906</u>
Fund balance - ending	<u>\$ 7,434,353</u>	<u>\$ 78,173</u>	<u>\$ 7,512,526</u>

See Notes to the Financial Statements

MINOT AIR FORCE BASE DISTRICT NO. 160
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE DISTRICT WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$ 2,169,620

Amounts reported for Governmental Activities in the
Statement of Activities are different because:

Governmental funds do not present revenues that are not
available to pay current obligations. In contrast, such
revenues are reported in the Statement of Activities when
earned. This amount is the net change in these items.

-

Change in net position of governmental activities \$ 2,169,620

See Notes to the Financial Statements

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Minot Air Force Base School District No. 160 contracts with the Minot Public School District to provide educational services for the pupils that reside in the Minot Air Force Base District. The Minot Air Force Base School District No. 160 is a blended component unit of the Minot Public School District No. 1. A copy of the Minot 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 Districts basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole. The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

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

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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.

Fund accounting – The District’s funds consist of the following:

Governmental Funds

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

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

Capital Projects: This fund accounts for the financial resources related to the capital outlays made by the District. Minot Public School District No. 1 owns all of the facilities and capital assets utilized by the Minot Air Force Base District No. 160. However, the Minot Air Force Base District No. 160 is required to provide for some of the maintenance and capital improvements made to the facilities located at the Minot 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.

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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.

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 grants, entitlements, and donations.

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.

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.

Capital Assets

General capital assets result from expenditures in the governmental funds. Minot Public School District No. 1 provides and owns all of the real and personal property used by the Minot Air Force Base District No 160. However, the Minot Air Force Base District No. 160 is required to provide for some of the maintenance and capital improvements made to the facilities located at the Minot Air Force Base.

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 resources (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 financial 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.

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 position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions. The District has restricted net position at June 30, 2017 for capital projects.

Fund Balance Classifications

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

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

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 School Board.

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

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

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

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.

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.

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 DEPOSITS

According to state statutes, deposits must be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

The District has a deposit policy which requires all cash accounts to be kept at local banks.

The District maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At June 30, 2017, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$5,775,691 of the District's deposits are covered by pledged securities held in the District's name.

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

Credit Risk:

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct 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 the type listed above.
- (c) Certificates of deposits fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

As of June 30, 2017, the District had no investments.

NOTE 4 DUE FROM OTHER GOVERNMENTS

Due from governmental agencies	
General Fund	
Department of Defense	\$ 229,079
Department of Education	<u>1,504,306</u>
Total	<u><u>\$ 1,733,385</u></u>

NOTE 5 CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2017.

NOTE 6 ECONOMIC DEPENDENCY

Minot Air Force Base District No. 160 receives a substantial amount of its support from federal governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the District's programs and therefore on its continued operations.

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 7 NEW ACCOUNTING 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. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

NOTE 8 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 4, 2018, which is the date these financial statements were available to be issued.

MINOT AIR FORCE BASE DISTRICT NO. 160
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts, Original and Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES			
Federal sources	\$ 6,627,600	\$ 7,926,017	\$ 1,298,417
Interest and other revenue	3,000	35,161	32,161
Total revenues	<u>6,630,600</u>	<u>7,961,178</u>	<u>1,330,578</u>
EXPENDITURES			
Tuition	5,000,000	5,000,000	-
General administration services	52,660	54,548	(1,888)
Business services	14,800	14,800	-
Regular instruction	30,000	-	30,000
Operations and maintenance	2,014,500	2,010,047	4,453
Pupil transportation services	145,000	141,377	3,623
Total expenditures	<u>7,256,960</u>	<u>7,220,772</u>	<u>36,188</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(200,000)	-	200,000
Net change in fund balances	(826,360)	740,406	1,566,766
Fund balances - beginning	4,975,711	4,975,711	-
Fund balances - ending	<u>\$ 4,149,351</u>	<u>\$ 5,716,117</u>	<u>\$ 1,566,766</u>

See Notes to the Required Supplementary Information

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

To provide a meaningful comparison of the District's actual results compared to the budgeted results, the Statements of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual are prepared on the District's budgetary basis. Under the district's budgetary basis of accounting, revenues and expenditures are budgeted on the cash basis of accounting.

Budgeted Inflows and Outflows

Listed below is a reconciliation between the revenues and expenditures as presented in the District's Statement of Revenues, Expenditures, and Changes in Fund Balance and the budgetary inflows and outflows presented in the District's general fund budget.

	<u>General Fund</u>
<i>Sources/Inflows of resources</i>	
Actual revenues (budgetary basis) presented on the budgetary comparison schedule	\$ 7,961,178
 <u>Difference - budget to GAAP</u>	
Net effect of June 30, 2016 and 2017 revenue recorded when measureable and available on the revenue statement but not recorded as revenue on the budget statement until collected.	1,351,089
Total revenue as reported on the statement of revenue, expenditures, and changes in fund balances - government funds	\$ 9,312,267
 <i>Uses/outflows of resources</i>	
Actual expenditures and transfers (budgetary basis) presented on the budgetary comparison schedule	\$ 7,220,772
 <u>Difference - budget to GAAP</u>	
Net effect of June 30, 2016 and 2017 liabilities that are paid from "available resources" and are recognized as an expenditure when the obligation is incurred on the revenue statement but not recorded on the budget statement until paid.	48
Total expenditures as reported on the statement of revenue, expenditure, and changes in fund balances - governmental funds	\$ 7,220,820

MINOT AIR FORCE BASE DISTRICT NO. 160
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2017

NOTE 2 BUDGET INFORMATION

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 county auditor by August 15. 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.

Expenditures did not exceeded the budget in the general fund for the year ended June 30, 2017

MINOT AIR FORCE BASE DISTRICT NO. 160
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Funding Source / Grant Name	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
Direct programs:		
Impact Aid	84.041	\$ 9,202,666
Total U.S. Department of Education		9,202,666
U.S. Department of Defense		
Direct programs:		
Supplemental Grant	12.U01	229,078
Total Expenditures of Federal Awards		\$ 9,431,744

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Minot Air Force Base District No. 160 under programs of the federal government for the year ended June 30, 2017. 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 Minot Air Force Base District No. 160, it is not intended to and does not present the financial position, change in net position, or cash flows of Minot Air Force Base District No. 160.

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. Minot Air Force Base District No. 160 has not elected to use the 10-percent de minimis cost rate as allowed under 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 ACCOUNTING STANDARDS**

To the President and Board Members
Minot Air Force Base District No. 160
Minot, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applied 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 Minot Air Force Base District No. 160, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minot Air Force Base District No. 160'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 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2017-001.

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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

January 4, 2018



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the President and Board Members
Minot Air Force Base District No. 160
Minot, North Dakota

Report on Compliance of Each Major Program

We have audited Minot Air Force Base District No. 160's (the District) 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, 2017. Minot Air Force Base District No. 160's major federal program is 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 Minot Air Force Base District No. 160'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 Minot Air Force Base District No. 160'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 Minot Air Force Base District No. 160's compliance.

Opinion on Each Major Federal Program

In our opinion, Minot Air Force Base District No. 160 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, 2017.

Report on Internal Control over Compliance

Management of Minot Air Force Base District No. 160 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 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 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 the internal control over compliance was for 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 matters 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.
BISMARCK, NORTH DAKOTA

January 4, 2018

MINOT AIR FORCE BASE DISTRICT NO. 160
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> 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)?	<u> </u> yes	<u> x </u> no
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<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.041	Impact Aid
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Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as a low-risk auditee?	<u> x </u> yes	<u> </u> no
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MINOT AIR FORCE BASE DISTRICT NO. 160
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

2017-001

Criteria

An appropriate system of internal controls requires that the District make a determination that the 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 District'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 District's auditors prepare the draft financial statements and provided assistance in the presentation of the Schedule of Expenditures of Federal Awards. In addition, material journal entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). An appropriate system of internal controls requires that the District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current generally accepted accounting principles in the United States of America and the required financial statement disclosures.

Cause

Auditor's prepared draft financial statements, proposed material adjusting entries and assisted with the preparation of the Schedule of Expenditures of Federal Awards.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions

The School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Section III – Federal Award Findings and Questioned Costs

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

MINOT AIR FORCE BASE DISTRICT NO. 160
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

2016-001

Criteria

An appropriate system of internal controls requires that the District make a determination that the 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 District'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 District's auditors prepare the draft financial statements and provided assistance in the presentation of the Schedule of Expenditures of Federal Awards. In addition, material journal entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). An appropriate system of internal controls requires that the District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current generally accepted accounting principles in the United States of America and the required financial statement disclosures.

Cause

Auditor's prepared draft financial statements, proposed material adjusting entries and assisted with the preparation of the Schedule of Expenditures of Federal Awards.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions

The School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Current Status

Based upon our audit testing, the finding was repeated as current year finding 2017-001.

MINOT AIR FORCE BASE DISTRICT NO. 160
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017

2017-001

Contact Person

Scott Moum, Business and Operations Manager

Corrective Action Plan

The management and School Board of Minot Public School District #160 do not feel it is cost beneficial to obtain and maintain this type of knowledge and expertise.

Completion Date

Minot Public School District #160 will implement when it becomes cost effective.