

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**FINANCIAL STATEMENTS  
JUNE 30, 2021**

**WITH INDEPENDENT AUDITOR'S REPORT**

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Page(s)</u>
School Officials	1
Independent Auditor's Report	2 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	8
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	9
Notes to Financial Statements	10 - 22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Employer's Share of Net Pension Liability	23
Schedule of Employer Contributions	24
Budgetary Comparison Schedule - General Fund	25
Notes to Required Supplementary Information	26 - 27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	28 - 33

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

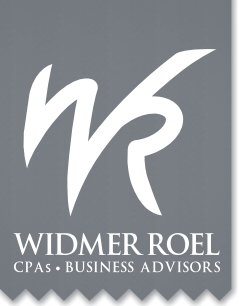
**SCHOOL OFFICIALS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Current**

Sheila Lindgren	Board President
Jared Benson	Vice President
Paul Backstrom	Board Member
Bridget Geller	Board Member
Justin Maddock	Board Member
Robert Thom	Superintendent
Shannon Louder	Business Manager

**June 30, 2021**

Sheila Lindgren	Board President
Jared Benson	Board Member
Dennette Buckmier	Board Member
Bridget Geller	Board Member
Justin Maddock	Board Member
Robert Thom	Superintendent
Shannon Louder	Business Manager



4220 31st Avenue S.  
Fargo, ND 58104-8725

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

## INDEPENDENT AUDITOR'S REPORT

School Board and Administration  
**Maddock Public School District No. 9**  
Maddock, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Maddock Public School District No. 9** (School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Maddock Public School District No. 9**, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2021, **Maddock Public School District No. 9** adopted new accounting guidance by implementing the provision of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Schedule of Employer’s Share of Net Pension Liability, Schedule of Employer Contributions, and Notes to the Required Supplementary 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.

Management has omitted the management’s discussion and analysis that 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***

The School District officials listing has not been subjected to 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 August 31, 2022, on our consideration of the **Maddock Public School District No. 9’s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Maddock Public School District No. 9’s** internal control over financial reporting and compliance.



Fargo, North Dakota  
August 31, 2022

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**STATEMENT OF NET POSITION**

**JUNE 30, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,126,534
Taxes receivable	76,837
Capital assets	
Land	25,450
Buildings	294,273
Vehicles	131,354
Equipment	15,602
Construction in Progress	<u>125,800</u>
Total assets	<u>1,795,850</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	<u>337,418</u>
Total assets and deferred outflows of resources	<u>\$ 2,133,268</u>
<b>LIABILITIES</b>	
Accrued expenses	\$ 56,503
Accounts payable	86,555
Net pension liability	<u>2,025,931</u>
Total liabilities	<u>2,168,989</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension and TFFR deferred inflow of resources	<u>235,122</u>
<b>NET POSITION</b>	
Net investment in capital assets	592,479
Restricted for	
Capital projects	351,674
Food service	4,617
Special reserve	38,533
Committed - student activities	69,343
Unrestricted	<u>(1,327,489)</u>
Total net position	<u>(270,843)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,133,268</u>

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Regular instruction	\$ 928,481	\$ 975	\$ 1,202,334	\$ 274,828
Federal programs	135,925	-	172,571	36,646
District wide services	272,967	-	-	(272,967)
Special education	241,015	-	52,897	(188,118)
Administration services	343,930	-	-	(343,930)
Vocational education	127,513	-	12,999	(114,514)
Operations and maintenance	181,093	-	-	(181,093)
Student activities	128,406	64,707	-	(63,699)
Student transportation	216,828	-	73,714	(143,114)
Food service	127,405	17,920	86,838	(22,647)
Community service	37,974	-	-	(37,974)
Capital outlay	93,362	-	-	(93,362)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	\$ <u>2,834,899</u>	\$ <u>83,602</u>	\$ <u>1,601,353</u>	<u>(1,149,944)</u>

**GENERAL REVENUES**

Property taxes	1,061,292
In lieu of property taxes	17,248
State aid not restricted to specific program	1,681
Miscellaneous revenues	<u>80,593</u>
Total general revenues	<u>1,160,814</u>
Change in net position	<u>10,870</u>
Net position July 1, as previously reported	(351,056)
Change in accounting principle	<u>69,343</u>
Net position July 1, as restated	<u>(281,713)</u>
Net position, June 30	\$ <u><u>(270,843)</u></u>

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2021**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Funds</u>	<u>Total Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 660,554	\$ 351,674	\$ 114,306	\$ 1,126,534
Taxes receivable	<u>69,088</u>	<u>7,044</u>	<u>705</u>	<u>76,837</u>
Total assets	\$ <u><u>729,642</u></u>	\$ <u><u>358,718</u></u>	\$ <u><u>115,011</u></u>	\$ <u><u>1,203,371</u></u>
<b>LIABILITIES</b>				
Accounts payable	86,555	-	-	86,555
Accrued expenses	<u>\$ 54,690</u>	<u>\$ -</u>	<u>\$ 1,813</u>	<u>\$ 56,503</u>
Total liabilities	<u>141,245</u>	<u>-</u>	<u>1,813</u>	<u>143,058</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred tax revenue	<u>69,088</u>	<u>7,044</u>	<u>705</u>	<u>76,837</u>
<b>FUND BALANCES</b>				
Restricted for				
Capital projects	-	351,674	-	351,674
Food service	-	-	4,617	4,617
Special reserve	-	-	38,533	38,533
Committed - student activities	-	-	69,343	69,343
Unassigned	<u>519,309</u>	<u>-</u>	<u>-</u>	<u>519,309</u>
Total fund balances	<u>519,309</u>	<u>351,674</u>	<u>112,493</u>	<u>983,476</u>
Total liabilities and fund balances	\$ <u><u>729,642</u></u>	\$ <u><u>358,718</u></u>	\$ <u><u>115,011</u></u>	\$ <u><u>1,203,371</u></u>



**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

<b>Total fund balances for governmental funds</b>		\$	983,476
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds</p>			
Cost of capital assets			2,942,342
Less accumulated depreciation			<u>(2,349,863)</u>
			592,479
<p>Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds</p>			
			76,837
<p>Net pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds</p>			
			(2,025,931)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>			
Total deferred outflows of resources			337,418
Total deferred inflows of resources			<u>(235,122)</u>
			<u>102,296</u>
<b>Total net position of governmental activities</b>		\$	<u><u>(270,843)</u></u>

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
<b>REVENUES</b>				
Local sources	\$ 958,176	\$ 104,204	\$ 25,961	\$ 1,088,341
State sources	1,334,370	-	206	1,334,576
Federal sources	179,937	-	86,838	266,775
Other sources	<u>15,892</u>	<u>43,938</u>	<u>88,154</u>	<u>147,984</u>
Total revenues	<u>2,488,375</u>	<u>148,142</u>	<u>201,159</u>	<u>2,837,676</u>
<b>EXPENDITURES</b>				
Current				
Regular instruction	858,495	-	-	858,495
Federal programs	135,925	-	-	135,925
District wide services	272,967	-	-	272,967
Special education	241,015	-	-	241,015
Administration services	343,930	-	-	343,930
Vocational education	127,513	-	-	127,513
Operations and maintenance	304,774	5,000	-	309,774
Student activities	57,026	-	71,380	128,406
Student transportation	213,047	-	-	213,047
Food service	1,570	-	123,835	125,405
Community service	37,974	-	-	37,974
Capital outlay	<u>-</u>	<u>93,362</u>	<u>-</u>	<u>93,362</u>
Total expenditures	<u>2,594,236</u>	<u>98,362</u>	<u>195,215</u>	<u>2,887,813</u>
Net change in fund balances	<u>(105,861)</u>	<u>49,780</u>	<u>5,944</u>	<u>(50,137)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	14,000	-	20,000	34,000
Transfers out	<u>(20,000)</u>	<u>-</u>	<u>(14,000)</u>	<u>(34,000)</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Net change in fund balances	<u>(111,861)</u>	<u>49,780</u>	<u>11,944</u>	<u>(50,137)</u>
<b>FUND BALANCE JULY 1, AS PREVIOUSLY REPORTED</b>	631,170	301,894	31,206	964,270
<b>CHANGE IN ACCOUNTING PRINCIPLE</b>				
See Note 1	-	-	69,343	69,343
<b>FUND BALANCE, JULY 1, AS RESTATED</b>	<u>631,170</u>	<u>301,894</u>	<u>100,549</u>	<u>1,033,613</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 519,309</u>	<u>\$ 351,674</u>	<u>\$ 112,493</u>	<u>\$ 983,476</u>

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

**Net change in fund balances - total governmental funds** \$ (50,137)

Amount reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:

Current year capital outlay	160,656	
Depreciation expense	<u>(54,422)</u>	
		106,234

The net pension liability, and related deferred outflows and inflows of resources are reported in the government wide statements; however, activity related to the pension items do not involve financial resources, and are not reported in the funds.

Increase in net pension liability	(166,556)	
Increase in deferred outflows of resources	111,310	
Decrease in deferred inflows of resources	<u>1,927</u>	
		(53,319)

Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable along with tuition for local education agencies.

8,092

**Change in net position of governmental activities** \$ 10,870

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Nature of Operations*

The financial statements of the Maddock Public School District No. 9 (“School District”), Maddock, North Dakota, have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

##### *Reporting Entity*

The accompanying financial statements present the activities of the Maddock Public School District No. 9. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District are such that exclusion would cause the School District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or imposed financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District as a reporting entity.

##### *Basis of Presentation*

*Government-Wide Financial Statements:* The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the School District. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*Fund Financial Statements:* The fund financial statements provide information about the School District’s funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregate and reported as non-major funds.

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### *Measurement Focus and Basis of Accounting*

The government-wide fund financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

*General Fund:* This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Building Fund:* This fund accounts for financial resources dedicated to the construction of new school buildings, additions to old school buildings, the making of major repairs to existing buildings, or to make annual debt service payments on outstanding debt issues related to the building fund.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include amounts in demand deposits and savings accounts.

#### *Capital Assets*

Capital assets include property, plant and equipment. Assets are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	50 years
Vehicles and Equipment	10 years

#### ***Deferred Outflows and 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 resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

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 School District has three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes and unavailable revenues from local education agencies on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

#### ***Fund Financial Statements***

Government fund equity is classified as fund balance and may distinguish between “Restricted” and “Unrestricted” components. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

#### ***Restricted and Unrestricted Resources***

It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### ***Fund Balance and Classification Policies and Procedures***

The School District classifies governmental fund balances as follows:

***Nonspendable*** – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

***Restricted*** – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

***Committed*** – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**Assigned** – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the Business Manager.

**Unassigned** – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

#### ***Interfund Transactions***

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

#### ***Program Revenues***

In the government-wide statement of activities, reported program revenues derive from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into two categories, as follows:

***Charges for services*** – these arise from charges to customers, applicants, or other who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

***Program-specific operating grants and contributions*** – these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

#### ***Property Taxes***

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

#### ***Accounts Payable***

Accounts payable consist of amounts owed for goods and services received prior to June 30 and chargeable to the appropriations for the year then ended but paid subsequent to that date.

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### *Accrued Expenses*

Salaries and benefits payable consists of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from teacher's salaries as of June 30.

#### *Pensions*

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

#### *New Accounting Pronouncement*

During the year ended June 30, 2021 the School District adopted new accounting guidance by implementing the provisions of FASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the student activity funds as a special revenue fund as part of the governmental funds. The student activity funds were not previously reported as governmental funds and as such were not recorded in ending net position of the statement of activities. Beginning net position on the statement of activities and fund balance on the statement of revenues, expenditures and changes in fund balance have been restated to reflect this change.

#### **NOTE 2 – CASH AND CASH EQUIVALENTS**

In accordance with North Dakota statutes, the District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities, or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2021, the District's carrying amount of deposits was \$1,126,533 and the bank balances were \$1,053,423. Of the bank balance, \$307,503 was covered by Federal Depository Insurance. The remaining balance of \$745,920 was collateralized with securities held by the pledging financial institution's agent in the government's name.



## **MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

#### ***Interest Rate Risk***

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

#### ***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 Deposit fully insured by the Federal Deposit Insurance Corporation.
- (d) Obligations of the state.

#### ***Concentration of Credit Risk***

The District does not have a policy limiting the amount the District may invest in any one issuer.

#### **NOTE 3 – TAXES RECEIVABLE**

Taxes receivable consist of current taxes and delinquent uncollected taxes for the past three years as of June 30. No allowance has been established for uncollectible taxes receivable.

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

Property taxes are limited by state laws. All school tax levies are in compliance with state laws.

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ending June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 25,450	\$ -	\$ -	\$ 25,450
Construction in progress	<u>-</u>	<u>125,800</u>	<u>-</u>	<u>125,800</u>
Total capital assets not being depreciated	<u>25,450</u>	<u>125,800</u>	<u>-</u>	<u>151,250</u>
Capital assets, being depreciated				
Buildings	2,015,900	-	-	2,015,900
Vehicles	634,420	28,000	-	662,420
Equipment	<u>105,916</u>	<u>6,856</u>	<u>-</u>	<u>112,772</u>
Total capital assets, being depreciated	<u>2,756,236</u>	<u>34,856</u>	<u>-</u>	<u>2,791,092</u>
Less accumulated depreciation for				
Buildings	1,702,174	19,453	-	1,721,627
Vehicles	499,285	31,781	-	531,066
Equipment	<u>93,982</u>	<u>3,188</u>	<u>-</u>	<u>97,170</u>
Total accumulated depreciation	<u>2,295,441</u>	<u>54,422</u>	<u>-</u>	<u>2,349,863</u>
Capital assets, net	\$ <u><u>486,245</u></u>	\$ <u><u>106,234</u></u>	\$ <u><u>-</u></u>	\$ <u><u>592,479</u></u>

Depreciation expense was charged to functions/programs of the District as follows:

Regular instruction	\$ 16,666
Operations and maintenance	5,975
Vehicles	<u>31,781</u>
	\$ <u><u>54,422</u></u>

**NOTE 5 – TRANSFERS**

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2021:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 14,000	\$ 20,000
Special Reserve	-	14,000
Food Service	<u>20,000</u>	<u>-</u>
	\$ <u><u>34,000</u></u>	\$ <u><u>34,000</u></u>

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### NOTE 6 – PENSION PLANS

##### **General Information about the TFFR Pension Plan**

##### *North Dakota Teacher's Fund for Retirement ("TFFR")*

The following brief description of TFFR is provided for general information purposes only. Participants should refer to North Dakota Century Code ("NDCC") Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

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

##### *Pension Benefits*

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

##### *Tier 1 Grandfathered*

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

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

##### *Tier 1 Non-grandfathered*

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

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

#### *Tier 2*

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65 or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

#### *Death and Disability Benefits*

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

#### *Member and Employer Contributions*

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

At June 30, 2021, the District reported a liability of \$2,025,931 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2020, the District's proportion was 0.13237022 percent, which was a decrease of .02636584 from its proportion measured as of July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$167,366. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 418	\$ 76,029
Changes of assumptions	91,185	-
Net difference between projected and actual earnings on pension plan investments	125,064	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,707	159,093
Employer contributions subsequent to the measurement date	<u>114,044</u>	<u>-</u>
	<u>\$ 337,418</u>	<u>\$ 235,122</u>

\$114,044 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year ended June 30:		
2022		\$ (9,152)
2023		(14,401)
2024		6,018
2025		7,351
2026		(2,329)
Thereafter		766

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### *Actuarial Assumptions*

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 7.75% to 7.25%.
- Inflation assumption lowered from 2.75% to 2.30%.
- Individual salary increases were lowered.
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience.
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	58%	6.9%
Global fixed income	23%	1.3%
Global real assets	18%	5.0%
Cash equivalents	1%	0.0%

***Discount Rate***

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
District's proportionate share of net pension liability	\$ <u>2,698,431</u>	\$ <u>2,025,931</u>	\$ <u>1,467,049</u>

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

#### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report, located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. Additional financial and actuarial information is available on their website [www.nd.gov/rio/sib/publications/cafr/default.htm](http://www.nd.gov/rio/sib/publications/cafr/default.htm), or may be obtained by writing to ND Retirement and Investment office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

#### **NOTE 7 – RISK MANAGEMENT**

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$772,421 for public asset coverage.

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The School District has worker's compensation with the Department of Workforce Safety and Insurance. The School District pays part of the health insurance premiums for their employees.

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



**MADDOCK PUBLIC SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2020	0.132370%	\$ 2,025,931	\$ 965,853	209.76%	63.4%
ND TFFR	6/30/2019	0.135006%	\$ 1,859,375	\$ 947,106	196.32%	65.5%
ND TFFR	6/30/2018	0.134282%	\$ 1,789,787	\$ 912,861	196.06%	65.5%
ND TFFR	6/30/2017	0.142770%	\$ 1,960,988	\$ 963,659	203.49%	63.2%
ND TFFR	6/30/2016	0.151350%	\$ 2,217,368	\$ 983,360	225.49%	59.2%
ND TFFR	6/30/2015	0.157912%	\$ 2,065,260	\$ 971,323	212.62%	62.1%
ND TFFR	6/30/2014	0.158056%	\$ 1,656,147	\$ 916,807	180.64%	66.6%

\* Complete data for this schedule is not available prior to 2015.

\*\* The measurement date of the actuarial report is one year prior to the balance sheet date.

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

**Schedule of Employer's Contributions**

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND TFFR	6/30/2020	\$ 114,044	\$ (114,044)	\$ -	\$ 894,460	12.75%
ND TFFR	6/30/2019	\$ 123,146	\$ (123,146)	\$ -	\$ 965,853	12.75%
ND TFFR	6/30/2018	\$ 120,756	\$ (120,756)	\$ -	\$ 947,106	12.75%
ND TFFR	6/30/2017	\$ 116,390	\$ (116,390)	\$ -	\$ 912,861	12.75%
ND TFFR	6/30/2016	\$ 122,867	\$ (122,867)	\$ -	\$ 963,659	12.75%
ND TFFR	6/30/2015	\$ 125,378	\$ (125,378)	\$ -	\$ 983,360	12.75%
ND TFFR	6/30/2014	\$ 123,838	\$ (123,838)	\$ -	\$ 971,323	12.75%
ND TFFR	6/30/2013	\$ 98,556	\$ (98,556)	\$ -	\$ 916,807	10.75%

\* Complete data for this schedule is not available prior to 2015.

\*\* The measurement date of the actuarial report is one year prior to the balance sheet date.

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Local sources	\$ 1,101,341	\$ 996,139	\$ 958,176	\$ (37,963)
State sources	1,334,370	1,333,087	1,334,370	1,283
Federal sources	98,641	109,045	179,937	70,892
Other sources	<u>14,000</u>	<u>20,200</u>	<u>15,892</u>	<u>(4,308)</u>
Total revenues	<u>2,548,352</u>	<u>2,458,471</u>	<u>2,488,375</u>	<u>29,904</u>
<b>EXPENDITURES</b>				
Current				
Regular instruction	922,133	886,555	858,495	(28,060)
Federal programs	135,925	101,166	135,925	34,759
Instructional staff services	122,774	129,882	272,967	143,085
Services provided	241,015	222,842	241,015	18,173
Administration services	343,930	330,386	343,930	13,544
Vocational education	127,513	129,897	127,513	(2,384)
Operations and maintenance	304,774	278,951	304,774	25,823
Student activities	57,026	72,924	57,026	(15,898)
Student transportation	213,047	213,433	213,047	(386)
Food service	-	-	1,570	1,570
Capital outlay	<u>37,435</u>	<u>38,753</u>	<u>37,974</u>	<u>(779)</u>
Total expenditures	<u>2,505,572</u>	<u>2,404,789</u>	<u>2,594,236</u>	<u>189,447</u>
Excess (deficiency) of revenues over expenditures	<u>42,780</u>	<u>53,682</u>	<u>(105,861)</u>	<u>(159,543)</u>
Other Financing Sources				
Transfers in	-	-	14,000	14,000
Transfers out	(20,000)	(25,000)	(20,000)	5,000
Bond proceeds	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Total Financing Sources	<u>(20,000)</u>	<u>(25,000)</u>	<u>(6,000)</u>	<u>19,000</u>
Net change in fund balance	<u>22,780</u>	<u>28,682</u>	<u>(111,861)</u>	<u>(140,543)</u>
<b>FUND BALANCE JULY 1, AS PREVIOUSLY REPORTED</b>	631,170	631,170	631,170	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JULY 1, AS RESTATED</b>	<u>631,170</u>	<u>631,170</u>	<u>631,170</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 653,950</u>	<u>\$ 659,852</u>	<u>\$ 519,309</u>	<u>\$ 140,543</u>

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information:***

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The annual budget must be prepared, and School District taxes must be levied on or before the fifteenth day of August of each year.
- b) The taxes levied must be certified to the county auditor by twenty-fifth of August.
- c) The operating budget includes proposed expenditures and means of financing them.
- d) Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- e) The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- f) All appropriations lapse at year-end.

***North Dakota Teacher's Fund for Retirement Changes of Assumptions***

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experiences study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

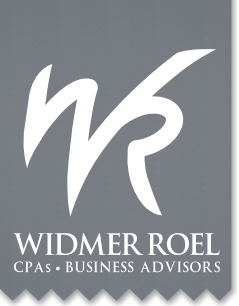
Amounts reported in the 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

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

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 2 – OVERSPENT BUDGET**

The School District overspent its general fund by \$189,447. No remedial action is anticipated.



4220 31st Avenue S.  
Fargo, ND 58104-8725

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

**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**

School Board and Administration  
**Maddock Public School District No. 9**  
Maddock, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Maddock Public School District No. 9** (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise **Maddock Public School District No. 9's** basic financial statements, and have issued our report thereon dated August 31, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **Maddock Public School District No. 9'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 **Maddock Public School District No. 9's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Maddock Public School District No. 9's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, and 2021-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-004 to be a significant deficiency.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether **Maddock Public School District No. 9'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*.

***Maddock Public School District No. 9's Response to Findings***

**Maddock Public School District No. 9's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Maddock Public School District No. 9'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.



Fargo, North Dakota  
August 31, 2022



**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2021**

**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?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  X  </u> yes	<u>      </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2021-001 (MATERIAL WEAKNESS) – GAAP FINANCIAL STATEMENT PREPARATION**

***Condition***

Widmer Roel assists the School District with preparation of its financial statements and related disclosures in accordance with generally accepted accounting principles (GAAP).

***Criteria***

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) elements of internal control, an organization’s internal control should include the capability of preparing financial statements in accordance with U.S. GAAP.

***Cause***

The District has determined it is more cost-effective to allocate its limited resources to areas other than preparation of financial statements and instead engage its third-party auditor to assist in this process.

***Effect***

Without the assistance of the auditors, the financial statements could be materially misstated or omit material financial statement disclosures.

***Recommendation***

We recommend management carefully review the financial statements and note disclosures and be able to understand the purpose and source of all material financial statement amounts and disclosures. We recommend management continue to prepare all requested supporting schedules, understanding their importance to the financial statements.

***Views of Responsible Officials***

The District will do all management can to follow recommendations from the auditors to continue our success.

## MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

### SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

#### 2021-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

##### *Condition*

The District has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager role is responsible for numerous functions related to financial reporting.

##### *Criteria*

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliations.

##### *Cause*

The District has limited staff to be able to adequately segregate duties.

##### *Effect*

Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in the financial statements, whether the cause of the misstatement was due to errors or fraud.

##### *Recommendation*

It is not unusual for smaller school districts to have several accounting functions concentrated with the business manager and/or superintendent. We recommend management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. For example, we recommend the board continue and or adopt the following:

- Review and approve all significant contracts and disbursements.
- Careful review of budgeted items compared to actual results, investigating unusual discrepancies.
- Dual signatures on all significant checks.
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of school district policies, including consideration of whether district policies are sufficient to mitigate risk of financial statement errors or fraud, or noncompliance with laws, regulations and contracts.

##### *Views of Responsible Officials*

The District will do what management can to follow all recommendations from Widmer Roel. Due to lack of staff, business manager will meet periodically with superintendent to implement controls and procedures.

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**2021-003 (MATERIAL WEAKNESS) – BANK RECONCILIATION**

***Condition***

The School District has an accumulation of 16 stale checks (more than 2 years old totaling \$556) and 26 outstanding deposits (more than 3 months old totaling \$13,598). Also, the School District's year-end bank statements were reconciled to June 27, rather than June 30.

***Criteria***

According to the North Dakota Century Code section 47-30.2 Unclaimed Property Act, any check outstanding 2 years after date of issuance shall be reported to the appropriate state office.

Valid deposits generally should be deposited timely and clear the bank promptly (typically within one or two business days of receipt). Deposits should be made daily or weekly.

Since the School District's balance sheet date is June 30, the bank accounts should be reconciled to that date to help ensure proper cutoff of cash transactions at year-end.

***Cause***

The District was unaware of the requirements of the Unclaimed Property Act. Generally outstanding deposits occur for timing differences at month-end due to dates recorded in general ledger and recognized by the financial institution. Any other outstanding deposits should be reconciled and cleared on a timely basis.

The bank-provided statements typically cut off a few days prior to each month-end.

***Effect***

Stale outstanding checks could be a violation of North Dakota Unclaimed Property laws, if not handled correctly. Stale deposits could be indicative of errors or undeposited receipts.

If cash is reconciled on a date other than year-end, there could be transactions occurring between the bank statement and balance sheet date which are omitted or unreconciled.

***Recommendation***

We recommend management establish an internal policy to comply with the Unclaimed Property Act and ensure timely adherence to the requirements therein. Widmer Roel also recommends the School District reviews the stale deposits in transit and determine the appropriate action to clear those items.

Regarding year-end reconciliation, we recommend management obtain a cutoff bank statement as of June 30 each year and reconcile to that date.

***Views of Responsible Officials***

Management will follow and keep up with recommendations on stale checks for unclaimed property. Management will try to obtain a June 30 statement from the bank to complete end of year reconciliation.

**MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2021**

**2021-004 (SIGNIFICANT DEFICIENCY) – INTERFUND TRANSFERS**

***Condition***

The District interfund transfers are not formally approved by the board.

***Criteria***

To ensure transfers, especially from restricted funds, are properly authorized and supported, board should review and approve all interfund transfers and record that approval in the minutes.

***Cause***

The District has not recorded all approved transfers in the board minutes.

***Effect***

There is an increased risk of improper transfers, especially if the transfers are from restricted fund balances.

***Recommendation***

It is recommended that all transfers be approved by the board and properly recorded in the minutes of the board meetings.

***Views of Responsible Officials***

Management will follow recommendation to have all transfers that are not on the budget approved by the board and documented in the minutes.