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MAY-PORT CG SCHOOL DISTRICT #14
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

OVERMOE & NELSON, LTD
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TABLE OF CONTENTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-5
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	6
STATEMENT OF ACTIVITIES	7
FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUNDS	8
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES	9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	10-11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES	12
STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUND	13
NOTES TO THE FINANCIAL STATEMENTS	14-33
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND	34-35
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY	36
SCHEDULE OF EMPLOYER CONTRIBUTIONS	37
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	38

REPORT SECTION

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 <i>GOVERNMENTAL AUDITING STANDARDS</i>	39-40
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	41-43

Independent Auditor's Report

To the School Board
May-Port CG School District #14
900 Main Street West
Mayville, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **May-Port CG School District #14** as of and for the year ended **June 30, 2018**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 **May-Port CG School District #14** as of **June 30, 2018**, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

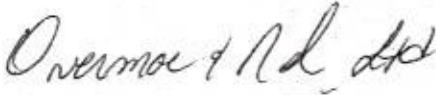
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of employer share of net pension liability and employer contributions on pages 3-5 and 34-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2018, on our consideration of the **May-Port CG School District #14's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **May-Port CG School District #14's** internal control over financial reporting and compliance.



OVERMOE & NELSON, LTD
Certified Public Accountants
Grand Forks, North Dakota

December 10, 2018

**May-Port CG School District #14
Mayville, ND 58257-1000**

**Management's Discussion and Analysis
Fiscal Year 6/30/2018**

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements report the District's operations in more detail than the government-wide financial statements.

District as a Whole

The District's net position decreased \$268,472 during the year. Last year, net position decreased by \$470,786.

	Governmental Activities		Business Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
ASSETS						
Current Assets	\$ 2,210,834	\$ 2,043,782	\$ -	\$ -	\$ 2,210,834	\$ 2,043,782
Non-Current Assets	<u>\$ 3,116,989</u>	<u>\$ 3,377,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,116,989</u>	<u>\$ 3,377,027</u>
TOTAL ASSETS	\$ 5,327,823	\$ 5,420,809	\$ -	\$ -	\$ 5,327,823	\$ 5,420,809
DEFERRED OUTFLOWS						
Pension Related Deferred Outflows	<u>\$ 914,367</u>	<u>\$ 1,487,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 914,367</u>	<u>\$ 1,487,837</u>
TOTAL OUTFLOWS	\$ 914,367	\$ 1,487,837	\$ -	\$ -	\$ 914,367	\$ 1,487,837
LIABILITIES						
Current Liabilities	\$ 149,423	\$ 167,112	\$ -	\$ -	\$ 149,423	\$ 167,112
Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability	<u>\$ 5,715,109</u>	<u>\$ 6,195,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,715,109</u>	<u>\$ 6,195,839</u>
TOTAL LIABILITIES	\$ 5,864,532	\$ 6,362,951	\$ -	\$ -	\$ 5,864,532	\$ 6,362,951
DEFERRED INFLOWS						
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension Related Deferred Inflows	<u>\$ 153,498</u>	<u>\$ 53,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,498</u>	<u>\$ 53,063</u>
TOTAL DEFERRED INFLOWS	\$ 153,498	\$ 53,063	\$ -	\$ -	\$ 153,498	\$ 53,063
NET POSITION						
Net Investment in Capital Assets	\$ 3,102,339	\$ 3,357,157	\$ -	\$ -	\$ 3,102,339	\$ 3,357,157
Restricted for Capital Projects	\$ 614,406	\$ 518,433	\$ -	\$ -	\$ 614,406	\$ 518,433
Unrestricted	<u>\$ (3,492,585)</u>	<u>\$ (3,382,958)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,492,585)</u>	<u>\$ (3,382,958)</u>
TOTAL NET POSITION	<u>\$ 224,160</u>	<u>\$ 492,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,160</u>	<u>\$ 492,632</u>

Following are the changes in net position for the years:

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Charges for Services (pg 7)	\$ 325,889	\$ 343,053	\$ -	\$ -	\$ 325,889	\$ 343,053
Operating Grants and Contributions	\$ 3,985,092	\$ 4,104,469	\$ -	\$ -	\$ 3,985,092	\$ 4,104,469
Property Taxes	\$ 1,928,255	\$ 1,769,694	\$ -	\$ -	\$ 1,928,255	\$ 1,769,694
Mill Reduction Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ 4,654	\$ 4,546	\$ -	\$ -	\$ 4,654	\$ 4,546
Other Revenue	\$ 14,663	\$ 24,459	\$ -	\$ -	\$ 14,663	\$ 24,459
Proceeds from Sale of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 6,258,553	\$ 6,246,221	\$ -	\$ -	\$ 6,258,553	\$ 6,246,221
Program Expenses						
Instruction	\$ 3,259,302	\$ 3,390,051	\$ -	\$ -	\$ 3,259,302	\$ 3,390,051
Special Education	\$ 325,718	\$ 333,757	\$ -	\$ -	\$ 325,718	\$ 333,757
Guidance	\$ 117,414	\$ 161,540	\$ -	\$ -	\$ 117,414	\$ 161,540
Vocational Education	\$ 196,927	\$ 203,743	\$ -	\$ -	\$ 196,927	\$ 203,743
Instructional Administration	\$ 380,641	\$ 365,695	\$ -	\$ -	\$ 380,641	\$ 365,695
Instructional Media Services	\$ 149,617	\$ 140,747	\$ -	\$ -	\$ 149,617	\$ 140,747
Technology	\$ 148,387	\$ 161,238	\$ -	\$ -	\$ 148,387	\$ 161,238
Food Services	\$ 330,594	\$ 338,514	\$ -	\$ -	\$ 330,594	\$ 338,514
Nursing Services	\$ 34,122	\$ 30,758	\$ -	\$ -	\$ 34,122	\$ 30,758
School Administration	\$ 453,739	\$ 512,723	\$ -	\$ -	\$ 453,739	\$ 512,723
Plant Services	\$ 909,528	\$ 842,171	\$ -	\$ -	\$ 909,528	\$ 842,171
Transportation	\$ 221,036	\$ 236,052	\$ -	\$ -	\$ 221,036	\$ 236,052
Interest and Fiscal Charges on Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 6,527,025	\$ 6,716,989	\$ -	\$ -	\$ 6,527,025	\$ 6,716,989
Change in Net Position	\$ (268,472)	\$ (470,768)	\$ -	\$ -	\$ (268,472)	\$ (470,768)

The District's net position decreased by \$268,472. *Property Taxes* brought in \$158,561 more, the increase was due to the 5 mill increase. *Operating Grants and Contributions* decreased by \$119,377; this was mainly due to the decrease in state and federal funding. Overall expenses decreased by \$189,964. The *Instructional* area saw a decrease of \$130,749 in expenses; the decrease was due to staff reduction. *Plant Services* expenditures increased by \$67,357 mainly due to cost increases with building heating and cooling. *School Administration* expenses decreased by \$58,984 due to dropping an agreement with the local special ed unit that funded salary for a pre-school aide.

Business-Type Activities

The District had no business-type activities during the year.

School District's Funds

The May-Port CG School District maintains three major funds: General, Capital Projects, and Hot Lunch.

The General Fund pays for such District expenses as regular instruction, special education, vocational, technology, library and district-wide services, administration, school lunch, buildings and grounds operation and maintenance, student transportation, and co-curricular activities. The number of mills levied for the General Fund was 65 mills and an additional 12 Miscellaneous mills.

The Capital Projects has a 10 mill levy for the Building Fund, which is used for repair and maintenance on all MPCG Buildings, over and above operating and maintenance expenses paid from the General Fund.

The Hot Lunch Fund pays all expenses for the school lunch program. Salaries for cooks are paid from the General Fund and then reimbursed by the Hot Lunch Fund.

General Fund Budgetary Highlights

Revenue was more than budget by \$55,388 with actual expenditures coming in under budget by \$24,450. Revenue from *state sources* was \$85,615 more than budget; this was due to a larger student population than estimated by the state; the school received a rapid enrollment grant in the amount of \$29,439.

Governmental Activities

The District's total governmental revenues decreased by \$2,005. *State sources* decreased \$111,194; this was due to the per pupil payment and transportation payment being less than the previous year. Expenditures decreased by \$243,557. *Building & equipment* expenses decreased by \$93,833; this was due to more building and repair expenses coming out of the Building Fund. *Instructional* expenditures decreased by \$91,603; this was due to staff reduction.

The May-Port CG School District, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

Capital Asset and Debt Administration

Capital assets acquired totaled \$40,320. Depreciation for the year was \$295,139 with a net decrease of \$254,819. There was no debt repayment and no interest expensed during the year.

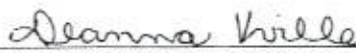
Economic Factors and Next Year's Budget

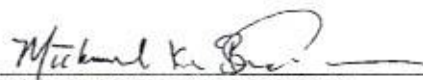
The District's budget for 2018-2019 increased. The state will continue to provide a large portion of the District's revenue with the funding formula continuing to be based on a per pupil payment. The value of mills will increase due to an increase in property valuation; each mill will provide more funding from a local level. The District will request the same dollar amount as the previous year, which equates to 62.3 mills for General Fund and 12 mills for Misc for a total of 74.31 mills.

On the expense side, the District will see increased expenses due to increase in salaries and overall expenses of the district. We will continue to focus on providing needed curriculum enhancements such as textbooks and technology supplemental materials. The District plans to continue with building improvements as needed. These factors will enable the District to meet the needs of the District and remain in a financially stable condition.

Contacting The District's Management

This financial report is intended to provide a general overview of the May-Port CG School District's finances and to show the District's accountability for the money it receives. Please direct any further questions to the attention of the Business Manager at the May-Port CG School District, 900 Main Street West, Mayville, ND 58257-1000.


Deanna Kville, Business Manager
May-Port CG School District #14


Michael Bradner, Superintendent
May-Port CG School District #14

MAY-PORT CG SCHOOL DISTRICT #14
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 1,493,514	\$ 1,493,514
Investments	484,545	484,545
Property Tax Receivable, Current	120,760	120,760
Due From Federal Sources	8,880	8,880
Due From State Sources	-	-
Due From Other Sources	82,762	82,762
Prepaid Expenses	20,373	20,373
Property Tax Receivable, Non-Current	14,650	14,650
Capital Assets, Net	3,102,339	3,102,339
Total Assets	\$ 5,327,823	\$ 5,327,823
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	\$ 914,367	\$ 914,367
Total Deferred Outflows of Resources	\$ 914,367	\$ 914,367
LIABILITIES		
Accounts Payable	\$ 41,239	\$ 41,239
Accrued Liabilities	108,184	108,184
Net Pension Liability	5,715,109	5,715,109
Total Liabilities	\$ 5,864,532	\$ 5,864,532
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	\$ -	\$ -
Pension Related Deferred Inflows	153,498	153,498
Total Deferred Inflows of Resources	\$ 153,498	153,498
NET POSITION		
Net Investment in Capital Assets	\$ 3,102,339	\$ 3,102,339
Restricted for Capital Projects	614,406	614,406
Unrestricted	(3,492,585)	(3,492,585)
Total Net Position	\$ 224,160	\$ 224,160

The accompanying notes are an integral part of these financial statements.

MAY-PORIT CG SCHOOL DISTRICT #14
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues			Charges for		Grants and		Net (Expense) Revenue and Changes in Net Position	
	Expense	Services	Contributions	Services	Contributions	Governmental Activities	Total		
PRIMARY GOVERNMENT									
Instruction	\$ 3,259,302	\$ 80,384	\$ 3,678,762	\$ 499,844	\$ 499,844	\$	\$ 499,844	\$	499,844
Special Education	325,718	84,154	-	(241,564)	(241,564)		(241,564)		(241,564)
Guidance	117,414	-	-	(117,414)	(117,414)		(117,414)		(117,414)
Vocational Education	196,927	-	20,824	(176,103)	(176,103)		(176,103)		(176,103)
Instructional Administration	380,641	-	-	(380,641)	(380,641)		(380,641)		(380,641)
Instructional Media Services	149,617	-	-	(149,617)	(149,617)		(149,617)		(149,617)
Technology	148,387	-	-	(148,387)	(148,387)		(148,387)		(148,387)
Food Services	330,594	161,351	130,268	(38,975)	(38,975)		(38,975)		(38,975)
Nursing Services	34,122	-	-	(34,122)	(34,122)		(34,122)		(34,122)
School Administration	453,739	-	-	(453,739)	(453,739)		(453,739)		(453,739)
Plant Services	909,528	-	-	(909,528)	(909,528)		(909,528)		(909,528)
Transportation	221,036	-	155,238	(65,798)	(65,798)		(65,798)		(65,798)
Interest and Fiscal Charges on Long-Term Debt	-	-	-	-	-		-		-
Total Primary Government	\$ 6,527,025	\$ 325,889	\$ 3,985,092	\$ (2,216,044)	\$ (2,216,044)		\$ (2,216,044)		\$ (2,216,044)
General Revenues									
Property Taxes				\$ 1,928,255	\$ 1,928,255		\$ 1,928,255		\$ 1,928,255
Interest and Investment Earnings				4,654	4,654		4,654		4,654
Other Revenues				14,663	14,663		14,663		14,663
Total General Revenues				\$ 1,947,572	\$ 1,947,572		\$ 1,947,572		\$ 1,947,572
Change in Net Position				\$ (268,472)	\$ (268,472)		\$ (268,472)		\$ (268,472)
Beginning Net Position				492,632	492,632		492,632		492,632
Ending Net Position				\$ 224,160	\$ 224,160		\$ 224,160		\$ 224,160

The accompanying notes are an integral part of these financial statements.

MAY-PORT CG SCHOOL DISTRICT #14
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

	General Fund	Hot Lunch Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 988,331	\$ 96,897	\$ 364,705	\$ 43,581	\$ 1,493,514
Investments	250,211	-	233,684	650	484,545
Property Tax Receivable	119,393	-	16,017	-	135,410
Due From Federal Sources	-	8,880	-	-	8,880
Due From State Sources	-	-	-	-	-
Due From Other Sources	82,762	-	-	-	82,762
Prepaid Expenses	20,373	-	-	-	20,373
Total Assets	\$ 1,461,070	\$ 105,777	\$ 614,406	\$ 44,231	\$ 2,225,484
DEFERRED OUTFLOWS OF RESOURCES					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets and Deferred Outflows of Resources	\$ 1,461,070	\$ 105,777	\$ 614,406	\$ 44,231	\$ 2,225,484
LIABILITIES					
Accounts Payable	\$ 32,018	\$ -	\$ 9,221	\$ -	\$ 41,239
Accrued Liabilities	108,184	-	-	-	108,184
Due to Other Sources	-	-	-	-	-
Notes Payable	-	-	-	-	-
Bond Payable	-	-	-	-	-
Total Liabilities	\$ 140,202	\$ -	\$ 9,221	\$ -	\$ 149,423
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Property Tax	94,860	-	12,562	-	107,422
Total Deferred Inflows of Resources	\$ 94,860	\$ -	\$ 12,562	\$ -	\$ 107,422
FUND BALANCES					
Nonspendable	\$ 20,373	\$ -	\$ -	\$ -	\$ 20,373
Restricted	-	-	592,623	44,231	636,854
Committed	-	-	-	-	-
Assigned	-	105,777	-	-	105,777
Unassigned	1,205,635	-	-	-	1,205,635
Total Fund Balances	\$ 1,226,008	\$ 105,777	\$ 592,623	\$ 44,231	\$ 1,968,639
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,461,070	\$ 105,777	\$ 614,406	\$ 44,231	\$ 2,225,484

The accompanying notes are an integral part of these financial statements.

**MAY-PORT CG SCHOOL DISTRICT #14
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Fund Balances - Governmental Funds **\$ 1,968,639**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 7,895,573	
Less accumulated depreciation	<u>(4,793,234)</u>	3,102,339

Property taxes not received within 60 days after the year end is not a current resource and therefore is not included in governmental funds		107,422
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Net pension liability is not due and payable in the current period and, therefore, is not included in governmental funds		(5,715,109)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not included in governmental funds

Deferred inflows of resources related to pensions		(153,498)
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Deferred outflows of resources related to pension of \$914,367 = \$562,549 deferred outflows of resources related to pension expense and \$351,818 deferred outflows of employer contributions related to pensions subsequent to the pension measurement date		<u>914,367</u>
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Net Position of Governmental Activities		<u>\$ 224,160</u>
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MAY-PORT CG SCHOOL DISTRICT #14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Hot Lunch Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Sources	\$ 1,674,649	-	\$ 233,481	-	\$ 1,908,130
State Sources	3,683,965	2,218	-	-	3,686,183
Federal Sources	167,484	128,050	-	-	295,534
Fees and Other Non-Tax Revenues	161,983	161,351	-	11,879	335,213
Other	12,321	270	641	136	13,368
Total Revenues	\$ 5,700,402	\$ 291,889	\$ 234,122	\$ 12,015	\$ 6,238,428
EXPENDITURES					
Current					
Instruction	\$ 3,052,268	-	-	\$ 12,430	\$ 3,064,698
Special Education	325,718	-	-	-	325,718
Guidance	117,414	-	-	-	117,414
Vocational Education	196,927	-	-	-	196,927
Instructional Administration	380,641	-	-	-	380,641
Instructional Media Services	149,617	-	-	-	149,617
Technology	123,059	-	-	-	123,059
Food Services	49,830	278,857	-	-	328,687
Nursing Services	34,122	-	-	-	34,122
School Administration	453,739	-	-	-	453,739
Plant Services	577,106	-	106,773	-	683,879
Transportation	180,210	-	-	-	180,210
Capital Outlay	-	-	40,320	-	40,320
Buildings and Equipment	-	-	-	-	-
Total Expenditures	\$ 5,640,651	\$ 278,857	\$ 147,093	\$ 12,430	\$ 6,079,031
Excess (Deficiency) of Revenues Over Expenditures	\$ 59,751	\$ 13,032	\$ 87,029	\$ (415)	\$ 159,397

The accompanying notes are an integral part of these financial statements.

MAY-PORT CG SCHOOL DISTRICT #14
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Hot Lunch Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer To Other Funds	-	-	-	-	-
Proceeds From Sale of Fixed Assets	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 59,751	\$ 13,032	\$ 87,029	\$ (415)	\$ 159,397
Beginning Fund Balance	1,166,257	92,745	505,594	44,646	1,809,242
Ending Fund Balance	\$ 1,226,008	\$ 105,777	\$ 592,623	\$ 44,231	\$ 1,968,639

The accompanying notes are an integral part of these financial statements.

MAY-PORT CG SCHOOL DISTRICT #14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds \$ 159,397

Amounts 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 depreciated over their estimated useful lives

Expenditures for capital assets	\$ 40,320	
Less current year depreciation	<u>(295,139)</u>	(254,819)

Property taxes not received within 60 days after the year end is not a current resource and therefore is not included in governmental funds, but all unpaid property taxes are in the statement of activities 20,125

Governmental funds report District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is included in pension expense

District pension contributions	351,818	
Cost of benefits earned net of employee contributions	<u>(544,993)</u>	<u>(193,175)</u>

Change in Net Position of Governmental Activities \$ (268,472)

MAY-PORT CG SCHOOL DISTRICT #14
STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUND
AS OF JUNE 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and Short-Term Investments	\$ 181,131
Total Assets	<u>\$ 181,131</u>
LIABILITIES	
Accounts Payable	\$ 181,131
Total Liabilities	<u>\$ 181,131</u>

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the May-Port CG School District #14 (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. The more significant of the District's accounting policies are described below.

Reporting Entity

The District is a multi-county educational district governed by an elected board. As required by GAAP, these financial statements present the District (the primary government). There were no component units as determined by financial accountability or by the nature and significance of relationships.

Financial accountability includes the ability of the primary government to appoint a voting majority to the District's governing board, and is either able to impose its will on the District or there is potential for the District to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Basis of Presentation - Government-Wide and Fund Financial Statements

The District's basic financial statements consist of government-wide financial statements (which consist of a statement of net position and a statement of activities) and fund financial statements (which provide a more detailed level of financial information).

The **government-wide financial statements** include the statement of net position and the statement of activities. These statements report financial information for the District as a whole. The effect of interfund activity has been removed from these financial statements. Individual funds are not displayed but the statements distinguish governmental activities, normally supported by taxes, grants and the District's general revenues, from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial position of the governmental activities of the District and its discretely presented component units, if any, at year end.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with distinct functional activity.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - Government-Wide and Fund Financial Statements - continued

Program revenues include (1) charges for services which report fees and other charges to users of the District's services; (2) operating grants and contributions that finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is which function the revenues are restricted.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenue of the District.

Fund financial statements are designed to present financial information of the District at a more detailed level. During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are provided for governmental funds and proprietary funds.

Major individual governmental funds and enterprise funds are reported in separate columns.

The District uses funds to maintain its financial records during the year. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

Funds are classified into the following categories: governmental.

Governmental Funds

Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The District reports the difference between governmental fund assets and liabilities as fund balance.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation - Government-Wide and Fund Financial Statements - continued

The following are the District's major governmental funds:

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Hot Lunch Fund – The District chooses to treat the Hot Lunch Fund as a major governmental fund. It is used by the District to account for the revenues and expenditures relating to providing breakfast and lunch to its students.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources for the acquisition and maintenance of capital facilities by the District.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise funds and internal service funds. The District had no proprietary funds during the year.

Measurement Focus

The **government-wide financial statements** are reported using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of activities reports revenues and expenses.

In the **fund financial statements**, all governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on this balance sheet. The statement of revenues, expenditures and changes in fund balance reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

Revenue resulting from **exchange transactions**, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, the phrase "available" means expected to be received within 60 days of year end.

Revenue resulting from **non-exchange transactions**, in which the District receives value without directly giving equal value in return, includes property taxes, grants 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: interest and federal and state grants.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, which use the modified basis of accrual, revenues not received within 60 days have been reported as deferred revenue because they are measurable but not available. Grants and entitlements received before the eligibility requirements are met (cash advances) are recorded as deferred revenue.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting - continued

On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year.

Cash and Cash Equivalents

Cash and Cash Equivalents include all highly liquid investments with an original maturity of less than three months.

Investments

Investments, if any, are stated at cost or amortized cost, subject to adjustment for market declines judged to be other than temporary (lower of cost or market).

Inventories

Inventories consist of food commodities, which are valued at cost. Cost approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased or awarded.

Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in governmental funds. The District reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the District fund financial statements.

All capital assets are capitalized at historical cost, or estimated historical cost if historical cost is not available, and updated for additions and retirements during the year. Donated capital assets are valued at their estimated fair market value on the date received.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets - continued

The District maintains the following capitalization thresholds:

Major Buildings and Site Improvements	\$ 10,000
Buildings and Additions	\$ 20,000
Sports Complex Building	\$ 10,000
Track	\$ 10,000
Equipment	\$ 5,000
Technology Equipment	\$ 5,000
Buses	\$ 5,000
Vehicles	\$ 5,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated except for sites and construction in progress. Depreciation is computed using the straight-line method over the following useful lives:

Major Buildings and Site Improvements	20 years
Buildings and Additions	50 years
Sports Complex Building	25 years
Track	10 years
Equipment	7 years
Technology Equipment	5 years
Buses	10 years
Vehicles	5 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one type of this item, which arises only under the full accrual of accounting, that qualifies for reporting in this category. Pension related deferred outflows of resources are reported only in the statement of net position.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Outflows/Inflows of Resources - continued

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of this item that qualify for reporting in this category: one which arises only under a modified accrual basis of accounting and one type which arises only under full accrual basis of accounting. Deferred revenue is reported only in the governmental funds balance sheet. The governmental fund reports deferred revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Pension related deferred inflows of resources are reported only in the statement of net position. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Accrued Liabilities and Long-Term Debt

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide fund type statement of activities, bond premiums, discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure. During the year, the District had no bond premiums, discounts or issuance costs.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Generally, **fund balance** represents the difference between the current assets and current liabilities. As per GASB Statement No. 54, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following classifications are used by the District:

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Equity - continued

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance classification includes amounts where constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of a simple majority of the School Board, the District's highest level of decision-making authority.

Assigned Fund Balance

The assigned fund balance classification includes amounts that are constrained by the School Board's *intent* to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for the general fund representing the fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net positions are reported as unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available, and committed and assigned fund balances first when both these and unassigned fund balances are available.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

Custodial credit risk is the risk that, in event of a bank failure, the District's deposits might not be recovered. The District has two authorized depositories for its deposits and investments. The District follows North Dakota state statutes which authorize the District to make deposits in 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 secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the District to invest in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the State, d) Obligations of the State. As of June 30, 2018, \$1,518,340 of the District's bank balances of \$2,268,340 were exposed to custodial credit risk as follows:

Uninsured and collateralized with letters of credit held by the pledging financial institution	\$ -
Uninsured and collateralized with securities held by the pledging financial institution	\$ 1,510,837
Uninsured and uncollateralized	\$ 7,503

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

3. PROPERTY TAXES

Property taxes are levied July 31 of each year on property values assessed by the previous February. Taxes paid by February 15 of the following year receive a discount of 5%. Regular payment dates are March 1 and October 15. A tax lien becomes enforceable on unpaid taxes the following January.

The District records taxes receivable at net realizable value. The District considers all taxes receivable to be collectible as of June 30. The District's policy is to record the net taxes receivable as an asset, with a deferred revenue account to recognize taxes not expected to be available within 60 days. At June 30, 2018, the aging of taxes receivable is as follows:

	Traill County	Steele County	Cass County	Total
0 - 60 days	\$ 25,897	\$ 2,091	\$ -	\$ 27,988
2017	68,768	21,419	2,585	92,772
2016	11,055	1,500	-	12,555
2015 & Prior	1,476	619	-	2,095
Totals	\$ 107,196	\$ 25,629	\$ 2,585	\$ 135,410

4. DUE FROM STATE AND FEDERAL SOURCES

Following are funds received after June 30, 2018 for assistance relating to the year then ended:

	State	Federal
Title I - Grants to LEA's	\$ -	\$ -
National School Lunch	-	7,480
National Breakfast	-	1,400
Vocational Education	-	-
Totals	\$ -	\$ 8,880

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

5. CHANGE IN PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Deletions	Ending Balance
Sites	\$ 424,925	\$ -	\$ -	\$ 424,925
Sports Complex	769,312	-	-	769,312
Buildings/Additions	5,065,052	31,521	-	5,096,573
Equipment	810,521	-	-	810,521
Buses and Vehicles	785,443	-	-	785,443
Deposits on Purchases	-	8,800	-	8,800
Less: Accumulated Depreciation	<u>(4,498,096)</u>	<u>(295,139)</u>	<u>-</u>	<u>(4,793,235)</u>
	<u>\$ 3,357,157</u>	<u>\$ (254,818)</u>	<u>\$ -</u>	<u>\$ 3,102,339</u>

Government Activities Depreciation Expense

Instruction	\$ 1,429
Instructional Media Services	-
Technology	25,328
Food Service	1,907
Plant Services	225,649
Transportation	<u>40,826</u>
	<u>\$ 295,139</u>

6. COMPENSATED ABSENCES

As per GASB Statement No. 16, probable payments for vested vacation leave, plus associated payroll expenses, have been accrued at the end of each year. The District also provides benefits for sick leave. However, there is no provision for termination payments of accrued sick leave. As per GASB Statement No. 16, no accrual of accumulated sick leave benefits has been provided.

7. PENSION PLAN

North Dakota Teachers' Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

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

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. PENSION PLAN - continued

North Dakota Teachers' Fund for Retirement - continued

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.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. PENSION PLAN - continued

Pension Benefits - continued

Tier 1 Non-grandfathered - continued

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.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. PENSION PLAN - continued

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. The District has agreed to pay 6.25% of the member assessments in lieu of a salary increase.

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 70 1/2. 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.

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

At June 30, 2018, the District reported a liability of \$5,715,109 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's portion 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 June 30, 2017, the District's proportion was 0.41609039 percent, which was an decrease of .006817 percent from its proportion measured as of June 30, 2016.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. PENSION PLAN - continued

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

For the year ended June 30, 2018, the District recognized pension expense of \$544,993. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,921	\$ 62,388
Changes of assumptions	407,352	-
Net difference between projected and actual earnings on pension plan investments	78,942	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,334	91,110
Employer contributions subsequent to the measurement date	<u>351,818</u>	<u>-</u>
Total	<u>\$ 914,367</u>	<u>\$ 153,498</u>

\$351,818 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, 2019.

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

2019	\$ 93,490
2020	217,313
2021	139,787
2022	3,780
2023	(27,042)
Thereafter	(18,277)

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. PENSION PLAN - continued

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

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

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

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

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

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

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. PENSION PLAN - continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.70%
Global Fixed Income	23%	0.80%
Global Real Assets	18%	5.20%
Cash Equivalents	1%	0.00%

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

Sensitivity of the Employer'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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,598,388	\$ 5,715,109	\$ 4,147,377

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

7. PENSION PLAN - continued

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

Pension Plan Fiduciary Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm.

Non-Certified Employees

The District contributes to a tax deferred annuity plan for the purpose of purchasing annuity contracts for its employees pursuant to section 403(b) of the Internal Revenue Code of 1986, as amended, which is a defined contribution plan.

A defined contribution plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, and the returns earned on investments on those contributions. All full-time non-certified employees are eligible to participate in the plan from the day they are hired. Contributions vest immediately. Each employee must contribute at least 2% of his or her base salary to receive an employer contribution of 3% of his or her base salary.

During the year the District's required and actual matching contributions amounted to \$16,154 which was 3% of the covered payroll of \$538,466. The employees' elected contributions amounted to \$35,044. During the year, \$51,198 was actually paid into the Plan.

No provision changes occurred during the year that affected the required contributions to be made by the District or its employees.

The plan held no securities of the District or other related parties during the year.

8. INTERFUND OPERATING TRANSFERS

There were no operating transfers for the year ended June 30, 2018.

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

9. COMMITMENTS AND CONTINGENCIES

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

10. RISK MANAGEMENT

The District is exposed to various risks including, but not limited to, losses from worker's compensation, employee health insurance, public liability, and general property and casualty. The District has contracted with third party insurance carriers for specific and aggregate stop loss coverage to limit the District's exposure to losses as follows:

Educators Professional Liability	\$ 1,000,000	per occurrence and aggregate
General Liability	\$ 2,000,000	aggregate limit
Products/Completed Operations	\$ 2,000,000	aggregate limit
Personal/Advertising Injury	\$ 1,000,000	per occurrence and aggregate
Fire Damage	\$ 500,000	per occurrence
Medical Expense	\$ 10,000	per person
Personal Property	\$ 650,440	or 90% replacement cost (\$500 - \$1,000 deductible)
Hired Autos	\$ 1,000,000	aggregate limit
Uninsured and Underinsured	\$ 1,000,000	aggregate limit
Crime	\$ 32,000	inside, \$32,000 outside
Umbrella	\$ 3,000,000	per occurrence and aggregate \$10,000 retained limit
Directors and Officers	\$ 1,000,000	each loss (\$1,000 deductible)
Vehicles		actual cash value or repair cost, \$250 deductible
Employee Dishonesty	\$ 16,000	aggregate (\$1,000 deductible)
Buildings and Contents	\$20,577,067	combined totals (limits for each location)
Workers Compensation		based on rate schedule subject to \$1,000 deductible
Health Insurance		various plans available through BCBS

**MAY-PORT CG SCHOOL DISTRICT #14
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

10. RISK MANAGEMENT - continued

There was a no reduction in insurance coverage from the prior year. At no time during the years ended June 30, 2018, 2017, and 2016 did settlements exceed insurance coverage.

11. FEDERAL AWARDS

Following is a schedule of significant federal awards received during the year:

Grant Name	Grant Award	Amount Received	Amount Expended
Title I Grants to LEA's (84.010)	\$ 104,047	\$ 173,465	\$ 102,328
Fresh Fruits and Vegetables (10.582)	11,300	9,346	9,346
Food Distribution (10.550)	20,000	22,846	22,846
National School Lunch (10.553 and 10.555)	96,500	86,979	95,859
Carl Perkins (84.048)	8,700	16,949	7,988
REAP - Small Rural School Achievement (84.358A)	7,800	7,436	7,436
REAP (84.367)	49,731	82,617	49,731
Totals	<u>\$ 298,078</u>	<u>\$ 399,638</u>	<u>\$ 295,534</u>
Beginning Receivable		(112,984)	
Ending Receivable		<u>8,880</u>	
Revenues From Federal Awards		<u>\$ 295,534</u>	

MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
Beginning Fund Balance	\$ 1,166,257	\$ 1,166,257	\$ 1,166,257	\$ -
Resources (Inflows)				
Local Sources	\$ 1,617,950	\$ 1,728,236	\$ 1,674,649	\$ (53,587)
State Sources	3,598,350	3,598,350	3,683,965	85,615
Federal Sources	165,428	165,428	167,484	2,056
Fees and Other Non-Tax Revenues	140,500	140,500	161,983	21,483
Other	12,500	12,500	12,321	(179)
Amounts Available for Apportionment	\$ 6,700,985	\$ 6,811,271	\$ 6,866,659	\$ 55,388
Charges to Appropriations (Outflows)				
Current				
Instruction	\$ 2,987,564	\$ 2,995,000	\$ 3,052,268	\$ (57,268)
Special Education	324,768	324,768	325,718	(950)
Guidance	119,911	119,911	117,414	2,497
Vocational Education	212,891	212,891	196,927	15,964
Instructional Administration	383,453	383,453	380,641	2,812
Instructional Media Services	157,341	157,341	149,617	7,724
Technology	138,966	138,966	123,059	15,907
Food Services	81,047	79,747	49,830	29,917
Nursing Services	33,007	33,007	34,122	(1,115)
School Administration	483,489	483,489	453,739	29,750
Plant Services	543,927	554,528	577,106	(22,578)
Transportation	182,000	182,000	180,210	1,790
Capital Outlay	-	-	-	-
Buildings and Equipment	-	-	-	-
Total Charges to Appropriation	\$ 5,648,364	\$ 5,665,101	\$ 5,640,651	\$ 24,450

The accompanying notes to the required supplementary information are an integral part of this schedule.

MAY-PORT CG SCHOOL DISTRICT #14
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget		
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	\$ -	\$ -	\$ -	\$ -
Transfers To Other Funds	-	-	-	-
Proceeds From Sale of Fixed Assets	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	<u>\$ 1,052,621</u>	<u>\$ 1,146,170</u>	<u>\$ 1,226,008</u>	<u>\$ 79,838</u>

**MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
ND TEACHERS' FUND FOR RETIREMENT
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.41609039%	0.42290734%	0.42527900%	0.41707400%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,715,109	\$ 6,195,840	\$ 5,562,033	\$ 4,370,196
Employer's Covered-Employee Payroll	\$ 2,808,491	\$ 2,747,734	\$ 2,615,913	\$ 2,419,251
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	203.49%	225.49%	212.62%	180.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.20%	59.20%	62.10%	66.60%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

**MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND TEACHERS' FUND FOR RETIREMENT
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ 351,818	\$ 358,083	\$ 350,336	\$ 333,513	\$ 260,067
Contributions in Relation to the Statutorily Required Contribution	\$ (351,818)	\$ (358,083)	\$ (350,336)	\$ (333,513)	\$ (260,067)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered-Employee Payroll	\$ 2,759,358	\$ 2,808,491	\$ 2,747,734	\$ 2,615,913	\$ 2,419,251
Contributions as a Percentage of Covered-Employee Payroll	12.75%	12.75%	12.75%	12.75%	10.75%

Note: GASB Statement No. 68 requires ten years of information to be represented in this table. However, until a full ten year trend is compiled, the District will present information for those years for which information is available.

**MAY-PORT CG SCHOOL DISTRICT #14
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018**

1. BUDGETS

The District is required by North Dakota state statutes to adopt its final annual budget for the General Fund by August 15 and to be filed with the county auditor by August 25. Budgets may be amended during the year, except no amendment changing the taxes levied can be made after October 10. The budget is presented on the modified accrual basis of accounting, which is consistent with GAAP. All budget appropriations lapse at year-end.

Budgets are adopted for the General Fund on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Expenditures are controlled at the object level for the budget.

2. EXPENDITURES EXCEED APPROPRIATIONS

During the year ended June 30, 2018, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Amount</u>	<u>Explanation</u>
General Fund:		
Instruction	\$ 57,268	Caused by underbudgeted middle school payroll and benefit costs
Special Education	950	Caused by underbudgeted fees
Nursing Services	1,115	Caused by underbudgeted payroll and benefit costs
Plant Services	22,578	Caused by unbudgeted supply and utility costs
	<hr/>	
General Fund Total	<u>\$ 81,911</u>	

3. CHANGES OF ASSUMPTIONS

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

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board
May-Port CG School District #14
900 Main Street West
Mayville, 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 **May-Port CG School District #14** as of and for the year ended **June 30, 2018**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **May-Port CG School District #14'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **May-Port CG School District #14's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **May-Port CG School District #14's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2018-002 and 2018-003 described in the accompanying schedule of findings and questioned costs 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 deficiency 2018-001 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **May-Port CG School District #14's** financial statements are free of 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 disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

May-Port CG School District #14's Response to Findings

The May-Port CG School District #14's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. The May-Port CG School District #14's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



OVERMOE & NELSON, LTD
Certified Public Accountants
Grand Forks, North Dakota

December 10, 2018

**MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued	Unmodified
Internal Control Over Financial Reporting:	
Material Weaknesses Identified	Yes
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	Yes
Noncompliance Material to Financial Statements Noted	No

Section II - Financial Statement Findings

Reference 2018-001 Segregation of Duties (A Significant Deficiency)

Criteria

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

Condition

The **May-Port CG School District #14** has one employee responsible for most accounting functions. The business manager collects monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Questioned Costs

None

Context

This condition existed for the entire year.

Effect

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

Cause

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

Recommendation

The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of segregation.

Views of Responsible Officials and Planned Corrective Actions

Due to the size of the District, it is not feasible to obtain proper segregation of duties. The cost of adding personnel in order to obtain a proper segregation of duties exceeds the benefit. The Board is actively involved in approving and monitoring the District's financial transactions.

**MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Reference 2018-002 Audit Adjustments (A Material Weakness)

Criteria

An appropriate system of internal controls requires that the District prepare and present fairly financial statements and related notes to the government-wide financial statements in accordance with accrual basis of accounting.

Condition

The **May-Port CG School District #14's** accounting records required adjustments to depreciation and net pension liability and the related deferred outflows and deferred inflows of resources.

Questioned Costs

None

Context

This condition existed for the entire year.

Effect

The District's government-wide financial statements were omitted throughout the year.

Cause

The business manager prepares the District's financial statements for internal use, and therefore, depreciation and net pension liability related balances are not adjusted to reflect year end balances reported on the government-wide financial statements. The auditor proposed adjustments to year end balances, which were, in total, material to the government-wide financial statements.

Recommendation

The business manager should review and approve the detailed workpapers for the net pension liability adjustment and the depreciation adjustment.

Views of Responsible Officials and Planned Corrective Actions

The School Board agrees that the business manager has the appropriate level of skill, knowledge and experience to review and approve the proposed year end adjusting journal entries. Further, the School Board believes that it is not cost effective for the business manager to provide to the auditor the adjusting journal entries required to prepare government-wide financial statements.

Reference 2018-003 Financial Statements (A Material Weakness)

Criteria

An adequate system of internal controls requires that the District to make a determination that financial statements are properly stated in accordance with the modified accrual basis of accounting for the fund financial statements and accrual basis of accounting for the government-wide financial statements and the accompanying notes (financial statements).

**MAY-PORT CG SCHOOL DISTRICT #14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Reference 2018-003 Financial Statements (A Material Weakness) - continued

Condition

The business manager of **May-Port CG School District #14** prepares periodic financial information for internal use that meets the needs of management and the School Board. However, the District does not have internal resources available to prepare full-disclosure financial statements. The District is aware of the deficiency, and obtains the auditor's assistance in the preparation of the District's year end financial statements.

Questioned Costs

None

Context

This condition existed for the entire year.

Effect

This control deficiency could result in a misstatement to the financial statements that would not be prevented, or detected and corrected. The District's management is aware of the deficiency and addresses it by reviewing and approving the proposed adjusting journal entries and completed draft financial statements prior to distribution to the end users.

Cause

The District's business manager does not maintain knowledge of current accounting principal updates and current financial statement disclosure requirements.

Recommendation

The School Board should determine if the risk of material misstatement of the financial statements is reduced to an acceptable level with its current policy of obtaining the auditor's assistance with the preparation of the financial statements.

Views of Responsible Officials and Planned Corrective Actions

Management and the School Board will analyze the risk and costs associated with the financial statement preparation.