

**MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
MAYVILLE, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
ROSTER OF SCHOOL OFFICIALS – UNAUDITED
AS OF JUNE 30, 2019

Marlana Strand	President
Tami Parker	Vice President
James Aarsvold	Board Member
Adam Erickson	Board Member
Jeff Hovde	Board Member
Corey Moen	Board Member
Andy Neset	Board Member
Lynn Sand	Board Member
Jeremy Strand	Board Member
Deanna Kville	Business Manager
Michael Bradner	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
May-Port CG Public School District No. 14
Mayville, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the May-Port CG Public School District No. 14, which comprise the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of May-Port CG Public School District No. 14, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Prior Period Adjustment

As described in Note 12 to the financial statements, prior period adjustments were made to cash, liabilities, net position and fund balances to correct ending balances in the prior year. As discussed in Note 12 to the financial statements, the District has restated the previously reported Net Position and fund balances. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of District's contributions to TFFR pension plan, and schedule of District's proportionate share of net pension liability 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 requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The roster of school officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.



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

December 23, 2019

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Cash and Investments	\$ 1,731,790
Property Taxes Receivable	111,732
Accounts Receivable	237,581
Prepaid Expense	<u>17,324</u>
Total Current Assets	<u>2,098,427</u>
Capital Assets	
Land	227,404
Land Improvements	197,521
Buildings	5,934,874
Technology	168,370
Vehicles	874,517
Equipment	699,808
Less Accumulated Depreciation	<u>(5,091,410)</u>
Total Capital Assets, Net of Depreciation	<u>3,011,084</u>
TOTAL ASSETS	<u>5,109,511</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>704,107</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>704,107</u>
LIABILITIES	
Accounts Payable	25,017
Accrued Salaries and Payroll Liabilities	124,053
Interest Payable	153
Long-Term Liabilities Due Within One Year	<u>6,951</u>
Total Current Liabilities	<u>156,174</u>
Long-Term Liabilities	
Special Assessments Payable	33,200
Net Pension Liability	<u>5,410,094</u>
Total Non-Current Liabilities	<u>5,443,294</u>
TOTAL LIABILITIES	<u>5,599,468</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	<u>351,705</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>351,705</u>
NET POSITION	
Net Investment in Capital Assets	3,011,084
Restricted for:	
Capital Projects	558,696
Other	78,104
Unrestricted	<u>(3,785,439)</u>
TOTAL NET POSITION	<u>\$ (137,555)</u>

See Notes to the Financial Statements

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 262,658	\$ -	\$ -	\$ (262,658)
Instructional Support Services	466,153	-	-	(466,153)
Administration	564,904	-	-	(564,904)
Operations and Maintenance	761,586	20,084	-	(741,502)
Transportation	229,962	-	-	(229,962)
Regular Instruction	3,253,337	218,788	188,791	(2,845,758)
Special Education	329,865	-	-	(329,865)
Vocational Education	208,363	-	-	(208,363)
Extra-Curricular Activities	144,924	-	-	(144,924)
Food Services	349,221	158,575	131,616	(59,030)
Interest on Long-Term Debt	507	-	-	(507)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,571,480	\$ 397,447	\$ 320,407	(5,853,626)
 GENERAL REVENUES				
Property Taxes, Levied for General Purposes				1,659,135
Property Taxes, Levied for Capital Projects				215,431
Aids and Payments from the State				3,672,482
Unrestricted Investment Earnings				4,598
TOTAL GENERAL REVENUES				5,551,646
Change in Net Position				(301,980)
Net Position - Beginning				224,160
Prior Period Adjustment - See Note 12				(59,735)
Net Position - Beginning, as Restated				164,425
Net Position - Ending				\$ (137,555)

See Notes to the Financial Statements

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Projects	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 1,007,107	\$ 549,616	\$ 96,963	\$ 78,104	\$ 1,731,790
Property Taxes Receivable	98,668	13,064	-	-	111,732
Accounts Receivable	237,581	-	-	-	237,581
Prepaid Expense	17,324	-	-	-	17,324
TOTAL ASSETS	\$ 1,360,680	\$ 562,680	\$ 96,963	\$ 78,104	\$ 2,098,427
LIABILITIES					
Accounts Payable	\$ 21,033	\$ 3,984	\$ -	\$ -	\$ 25,017
Accrued Salaries and Payroll Liabilities	124,053	-	-	-	124,053
TOTAL LIABILITIES	145,086	3,984	-	-	149,070
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	63,478	8,575	-	-	72,053
TOTAL DEFERRED INFLOWS OF RESOURCES	63,478	8,575	-	-	72,053
FUND BALANCES					
Nonspendable	17,324	-	-	-	17,324
Restricted	-	550,121	-	78,104	628,225
Assigned	-	-	96,963	-	96,963
Unassigned	1,134,792	-	-	-	1,134,792
TOTAL FUND BALANCES	1,152,116	550,121	96,963	78,104	1,877,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,360,680	\$ 562,680	\$ 96,963	\$ 78,104	\$ 2,098,427

See Notes to the Financial Statements

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - governmental funds	\$ 1,877,304
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported as fund balance in government funds:	
Cost of capital assets	\$ 8,102,494
Less: Accumulated depreciation	<u>(5,091,410)</u>
Net	3,011,084
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.	352,402
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.	72,053
Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds.	
Special Assessments Payable	(40,151)
Net Pension Liability	(5,410,094)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental fund.	<u>(153)</u>
Net Position - Governmental Activities	<u>\$ (137,555)</u>

See Notes to the Financial Statements

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects	Food Service	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	\$ 1,690,517	\$ 219,418	\$ -	\$ -	\$ 1,909,935
Other Local & County Revenues	179,959	20,084	158,575	38,829	397,447
Revenue From State Sources	3,670,352	-	2,130	-	3,672,482
Revenue From Federal Sources	188,791	-	131,616	-	320,407
Interest	3,899	547	76	76	4,598
TOTAL REVENUES	5,733,518	240,049	292,397	38,905	6,304,869
EXPENDITURES					
Current:					
Business Support Services	262,658	-	-	-	262,658
Instructional Support Services	466,153	-	-	-	466,153
Administration	564,904	-	-	-	564,904
Operations and Maintenance	598,325	157,249	-	-	755,574
Transportation	182,958	-	-	-	182,958
Regular Instruction	2,893,931	-	-	10,794	2,904,725
Special Education	329,865	-	-	-	329,865
Vocational Education	208,363	-	-	-	208,363
Extra - Curricular Activities	144,924	-	-	-	144,924
Food Services	48,010	-	301,211	-	349,221
Capital Outlay:					
Capital Outlay	89,136	117,785	-	-	206,921
Debt Service:					
Principal Retirement	-	6,951	-	-	6,951
Interest and Other Fees	-	566	-	-	566
TOTAL EXPENDITURES	5,789,227	282,551	301,211	10,794	6,383,783
Excess (Deficiency) of Revenues over Expenditures	(55,709)	(42,502)	(8,814)	28,111	(78,914)
Fund Balance - Beginning of Year	1,228,246	592,623	105,777	41,993	1,968,639
Prior Period Adjustment - See Note 12	(20,421)	-	-	8,000	(12,421)
Fund Balance - Beginning of Year - As Restated	1,207,825	592,623	105,777	49,993	1,956,218
Fund Balance - End of Year	\$ 1,152,116	\$ 550,121	\$ 96,963	\$ 78,104	\$ 1,877,304

See Notes to the Financial Statements

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Total net changes in fund balances - Governmental Funds \$ (78,914)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.

Capital Outlays	\$ 206,921
Depreciation Expense	<u>(298,176)</u>

Excess of depreciation expense over capital outlay	(91,255)
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Repayment of long-term debt is reported as an expenditure in the governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	6,951
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Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in unavailable property taxes	(35,369)
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Changes in deferred outflows and inflows of resources related to net pension liability	(408,467)
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Change in net pension liability	305,015
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>59</u>
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Change in net position - Governmental Activities	<u>\$ (301,980)</u>
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MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND
JUNE 30, 2019

ASSETS	
Cash and Investments	<u>\$ 179,155</u>
 TOTAL ASSETS	 <u>\$ 179,155</u>
 LIABILITIES	
Due to Student Groups	<u>\$ 179,155</u>
 TOTAL LIABILITIES	 <u>\$ 179,155</u>

See Notes to the Financial Statements

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The May-Port CG Public School District operates the public school for the City of Mayville, North Dakota, along with the surrounding area.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

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

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

The government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

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

General Fund

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

Capital Projects

This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Food Service

This fund is used to account for the proceeds of specific revenue sources that are assigned to expenditures for providing breakfast and lunch service to students and staff of the District.

The District's non-major governmental funds are as follows:

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of certain specific revenue sources that are legally restricted to the expenditures for specified purposes. Included in this category are the transactions for the playground fund and scholarship funds.

Fiduciary Funds:

The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

Student Activity Fund:

The fund accounts for the financial transactions related to the District's student activity programs.

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner, which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

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

Revenues-Exchange and Non-Exchange Transactions:

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

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

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The District's board follows the procedures established by North Dakota law for budgetary process. The governing body of each School District, annually on or before the last day of July, must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15 of each year. The budget is then filed with the county auditor by August 25 of each year.

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

Cash and Cash Equivalents:

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

Investments:

Investments are recorded at market value and represent CD's at year end. North Dakota State statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold as follows:

Major Buildings and Site Improvements	\$10,000
Buildings and Additions	\$20,000
Sports Complex Building	\$10,000

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Track	\$10,000
Equipment	\$ 5,000
Technology Equipment	\$ 5,000
Buses	\$ 5,000
Vehicles	\$ 5,000

Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized, but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established 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

Accounts Payable, Accrued Liabilities and Long-term Obligations:

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

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.

Fund Balance Classifications:

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

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan as well as contributions to the plan made after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable 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. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents the actuarial differences within the TFFR pension plan.

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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Inter-fund Activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities are eliminated in the statement of activities.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Revenue Recognition – Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2019.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half-of-the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition – Property Taxes." This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

Significant Group Concentrations of Credit Risk:

As of June 30, 2019, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System. North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

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Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2019, the carrying amount of the District's deposits was \$1,910,945 and the bank balance was \$2,049,783. The bank balance was covered by Federal Depository Insurance and by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Credit Risk

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

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

Interest Rate Risk

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Investments

At June 30, 2019, the District's investments consisted of CD's of \$402,011 and are not subject to the credit risk classifications as noted in Paragraph 9 of GASB Statement 40.

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NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the general fixed asset account group during the year:

	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	\$ 227,404	\$ -	\$ -	\$ -	\$ 227,404
Construction in Progress	8,800	-	-	(8,800)	-
Total Capital Assets Not Being Depreciated	<u>236,204</u>	<u>-</u>	<u>-</u>	<u>(8,800)</u>	<u>227,404</u>
Capital Assets Being Depreciated					
Land Improvements	197,521	-	-	-	197,521
Buildings	5,834,364	91,710	-	8,800	5,934,874
Technology	142,233	26,137	-	-	168,370
Vehicles	785,443	89,074	-	-	874,517
Equipment	699,808	-	-	-	699,808
Total Capital Assets Being Depreciated	<u>7,659,369</u>	<u>206,921</u>	<u>-</u>	<u>8,800</u>	<u>7,875,090</u>
Less Accumulated Depreciation					
Land Improvements	(92,496)	(10,176)	-	-	(102,672)
Buildings	(3,347,491)	(184,860)	-	-	(3,532,351)
Technology	(84,995)	(31,040)	-	-	(116,035)
Vehicles	(643,585)	(45,436)	-	-	(689,021)
Equipment	(624,667)	(26,664)	-	-	(651,331)
Total Accumulated Depreciation	<u>(4,793,234)</u>	<u>(298,176)</u>	<u>-</u>	<u>-</u>	<u>(5,091,410)</u>
Net Capital Assets Being Depreciated	<u>2,866,135</u>	<u>(91,255)</u>	<u>-</u>	<u>-</u>	<u>2,783,680</u>
Net Capital Assets for Governmental Activities	<u>\$ 3,102,339</u>	<u>\$ (91,255)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,011,084</u>

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

Regular Instruction	\$ 245,160
Operations and Maintenance	6,012
Transportation	47,004
	<u>\$ 298,176</u>

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NOTE 5 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Title	Interest Rate	Original Maturity	Original Issue Amount	As Restated Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within One Year
City of Portland Special Assessments	4.00%	2/15/2029	\$ 44,933	\$ 32,951	-	\$ 2,996	\$ 29,955	\$ 2,996
City of Mayville Special Assessments	4.00%	2/15/2021	33,354	5,003		1,668	3,335	1,668
City of Mayville Special Assessments	4.00%	2/15/2022	45,738	9,148	-	2,287	6,861	2,287
Net Pension Liability				5,715,109	1,491,873	1,796,888	5,410,094	-
Total				<u>\$ 5,762,211</u>	<u>\$ 1,491,873</u>	<u>\$ 1,803,839</u>	<u>\$ 5,450,245</u>	<u>\$ 6,951</u>

Special assessments are generally liquidated by the capital projects fund.

At June 30, 2019, rental commitments under operating leases were not significant.

NOTE 6 FUND BALANCES

A. Classifications

At June 30, 2019, a summary of the governmental fund balance classifications are as follows:

	General Fund	Capital Projects	Food Service	Non-Major Funds	Total
Restricted for:					
Capital Projects	\$ -	\$ 550,121	\$ -	\$ -	\$ 550,121
Other	-	-	-	78,104	78,104
Nonspendable:					
Prepaid Expenses	17,324	-	-	-	17,324
Assigned to:					
Food Service	-	-	96,963	-	96,963
Unassigned:	<u>1,134,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,134,792</u>
Total	<u>\$ 1,152,116</u>	<u>\$ 550,121</u>	<u>\$ 96,963</u>	<u>\$ 78,104</u>	<u>\$ 1,877,304</u>

Restricted fund balances reflect resources restricted for statutorily defined purposes.

B. Minimum Fund Balance Policy

The Board of Education has not formally adopted a fund balance policy for the General Fund.

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NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially all certified employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) which is administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's 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.

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.

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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.

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.

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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.

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

At June 30, 2019, the District reported a liability of \$5,410,094 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2018, the Employer's proportion was 0.405902 percent which was a decrease of 0.010188 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Employer recognized pension expense of \$454,092. At June 30, 2019, the Employer 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 economic experience	\$ 14,683	\$ 147,140
Changes in actuarial assumptions	298,033	-
Difference between projected and actual investment earnings	-	18,704
Changes in proportion	40,751	185,861
Contributions paid to TFFR subsequent to the measurement date	350,640	-
Total	<u>\$ 704,107</u>	<u>\$ 351,705</u>

\$350,640 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ 152,946
2021	77,318
2022	(55,358)
2023	(85,758)
2024	(52,755)
Thereafter	(34,631)

Actuarial Assumptions

The total pension liability in the July 1, 2018 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 dated April 30, 2015. They are the same as the assumptions used in the July 1, 2018, 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% 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.

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 are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.70%
Global Fixed Income	23.00%	1.50%
Global Real Assets	18.00%	5.10%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2018. 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, 2018, 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, 2018. 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, 2018.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer'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 in Discount Rate 6.75%	Discount Rate 7.75%	1% Increase in Discount Rate 8.75%
School's proportionate share of the TFFR net pension liability:	\$ 7,305,192	\$ 5,410,094	\$ 3,833,961

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report.

NOTE 8 RISK MANAGEMENT

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

In 1986, 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 District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

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The District participates in the North Dakota Fire and Tornado Fund and 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 one 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 \$1,699,000 for its employees. The State Bonding Fund does not currently charge a premium for this coverage.

The District carries commercial insurance for workers' compensation, employees' health, boiler and machinery, and accident insurance.

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

NOTE 9 CONTINGENT LIABILITIES

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

NOTE 10 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2019 was \$22,120.

NOTE 11 NEW PRONOUNCEMENTS

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

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

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JUNE 30, 2019

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 12 PRIOR PERIOD ADJUSTMENT

Prior period adjustments were made to net position and fund balances to correct ending balances in the prior year related to the following accounts. This can be illustrated in the following table:

	General	Jallo Scholarship (Non-Major)
Restatement for Net Position:		
Accrued Salaries and Wages Payable	\$ (20,421)	
Special Assessments Payable	(47,102)	
Accrued Interest	(212)	
Reclass from Student Activities	8,000	
	\$ (59,735)	
Restatement for Fund Balance:		
Accrued Salaries and Wages Payable	\$ (20,421)	\$ -
Reclass from Student Activities	-	8,000
	\$ (20,421)	\$ 8,000

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 23, 2019, which is the date these financial statements were available to be issued.

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Property Tax Levies	\$ 1,728,236	\$ 1,728,236	\$ 1,690,517	\$ (37,719)
Other Local & County Revenues	148,000	148,000	179,959	31,959
Revenue from State Sources	3,768,796	3,768,796	3,670,352	(98,444)
Revenue from Federal Sources	187,482	187,482	188,791	1,309
Interest	5,000	5,000	3,899	(1,101)
TOTAL REVENUES	<u>5,837,514</u>	<u>5,837,514</u>	<u>5,733,518</u>	<u>(103,996)</u>
EXPENDITURES				
Current:				
Business Support Services	279,524	279,524	262,658	(16,866)
Instructional Support Services	445,898	445,898	466,153	20,255
Administration	582,409	582,409	564,904	(17,505)
Operations and Maintenance	618,735	618,735	598,325	(20,410)
Transportation	190,380	190,380	182,958	(7,422)
Regular Instruction	2,891,065	2,891,065	2,893,931	2,866
Special Education	349,099	349,099	329,865	(19,234)
Vocational Education	202,446	202,446	208,363	5,917
Extra - Curricular Activities	146,339	146,339	144,924	(1,415)
Food Services	77,975	77,975	48,010	(29,965)
Capital Outlay:				
Capital Outlay	53,000	53,000	89,136	36,136
TOTAL EXPENDITURES	<u>5,836,870</u>	<u>5,836,870</u>	<u>5,789,227</u>	<u>(47,643)</u>
Excess (Deficiency) of Revenues Over Expenditures	644	644	(55,709)	(56,353)
Fund Balances - Beginning	1,228,246	1,228,246	1,228,246	
Prior Period Adjustment - See Note 12	-	-	(20,421)	(20,421)
Fund Balances - Beginning, as Restated	<u>1,228,246</u>	<u>1,228,246</u>	<u>1,207,825</u>	
Fund Balances - Ending	<u>\$ 1,228,890</u>	<u>\$ 1,228,890</u>	<u>\$ 1,152,116</u>	<u>\$ (76,774)</u>

See Note to the Budgetary Comparison Schedule

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

A budget was not adopted for the food service fund.

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR PENSION PLAN &
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PRESENTED LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 350,640	\$ 350,640	-	\$ 2,750,121	12.75%
2018	351,818	351,818	-	2,759,358	12.75%
2017	358,083	358,083	-	2,808,491	12.75%
2016	350,336	350,336	-	2,747,734	12.75%
2015	333,513	333,513	-	2,615,913	12.75%

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.40590%	\$ 5,410,094	\$ 2,759,358	196.06%	65.50%
2018	0.41609%	5,715,109	2,808,491	203.49%	63.20%
2017	0.42291%	6,195,840	2,747,734	225.49%	59.20%
2016	0.42528%	5,562,033	2,615,913	212.62%	62.10%
2015	0.41707%	4,370,196	2,419,251	180.64%	66.60%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 CHANGES OF ASSUMPTIONS

TFFR

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% 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.

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

To the Board of Education
May-Port CG Public School District No. 14
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 the 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 Public School District No. 14 as of and for the year ended June 30, 2019, 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 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit for the financial statements, we considered May-Port CG Public School District No. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control 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 were not 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 a material weakness and a significant deficiency.

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 deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a material weakness.

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 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about May-Port CG Public School District No. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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



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

December 23, 2019

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Finding 2019-001

Criteria

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

Condition

The School District has one employee responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

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

Effect

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

Recommendation

The District should separate the duties when it becomes feasible.

Management's Response

At the present time, the May-Port CG Public School District No. 14 has segregated the accounting duties in the most effective manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.

MAY-PORT CG PUBLIC SCHOOL DISTRICT NO. 14
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Finding 2019-002

Criteria

The District does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The District's auditors prepared the financial statements as of June 30, 2019. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Cause

The District does not have the resources to prepare full accrual financial statements.

Effect

The Superintendent is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to end users.

Recommendation

The District should establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Management's Response

The District will continue to have the auditor prepare the financial statements; however, the District has established an internal control policy to document the annual review of the financial statements.