

MAPLETON PUBLIC SCHOOL DISTRICT #7

**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

WITH INDEPENDENT AUDITOR'S REPORT

MAPLETON PUBLIC SCHOOL DISTRICT #7
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REQUIRED SUPPLEMENTARY INFORMATION

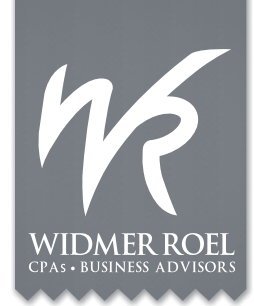
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MAPLETON PUBLIC SCHOOL DISTRICT #7

SCHOOL OFFICIALS

Current

Josh Radcliffe	Board President
Aimee Mitchell	Board Vice President
Collin Miller	Board Member
Nathan Lotvedt	Board Member
Kara Hendrickson	Board Member
Jenna Farkas	Superintendent
Sydney Hammrich	Business Manager



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

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

INDEPENDENT AUDITOR'S REPORT

School Board and Administration
Mapleton Public School District #7
Mapleton, North Dakota

Report on the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Mapleton Public School District #7**, as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise **Mapleton Public School District #7's** basic financial statements as listed in the Table of Contents.

We do not express an opinion on the accompanying financial statements, for the years ended June 30, 2019 and 2018 of **Mapleton Public School District #7**. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

The District experienced turnover in its business manager role, as well as a change in accounting software and other factors, and management was unable to locate documentation supporting its material financial statement balances, including receivables, payables, accrued expenses/expenditures. Thus, we were unable to confirm or verify, by performing other audit procedures, material revenues, expenditures/expenses, or fund balances. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary with respect to recorded or unrecorded revenues or expenditures, and the elements making up the statements of activities, or the statements of revenues, expenditures, and changes in fund balance for governmental funds.

Management's Responsibilities 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Mapleton Public School District #7's** ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of **Mapleton Public School District #7's** financial statements 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 and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of **Mapleton Public School District #7** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension and OPEB Liability, Schedule of Employer Contributions, and Notes to Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 and the 2018 budgetary comparison schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our disclaimer of opinion on the basic financial statements is not affected by this missing information.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 of the financial statements, the **Mapleton Public School District #7** adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 9, the **Mapleton Public School District #7's** year end June 30, 2017 financial statements did not include net pension liability, deferred outflows, or deferred inflows for TFFR, NDPERS, or OPEB. The opening balances have been adjusted, as per Note 9, to properly reflect the recording of these accounts. Our opinion is not modified with respect to this matter.

Other Information

The District Officials listing has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, on our consideration of the **Mapleton Public School District #7's** internal control over financial reporting and on our test 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 **Mapleton Public School District #7's** internal control over financial reporting and compliance.



Fargo, North Dakota
January 31, 2024

MAPLETON PUBLIC SCHOOL DISTRICT #7**STATEMENT OF NET POSITION****JUNE 30, 2019**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,000,638
Taxes receivable	41,824
Capital assets, net of accumulated depreciation	
Buildings	6,943,962
Furniture and equipment	<u>111,180</u>
Total assets	<u>8,097,604</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB related deferred outflows of resources	<u>445,694</u>
Total assets and deferred outflows of resources	<u>\$ 8,543,298</u>
LIABILITIES	
Salaries and benefits payable	\$ 270,742
Current portion of long-term debt	327,234
Long-term liabilities	
Long-term debt, net of current portion	6,535,054
Certificate of indebtedness	215,260
Net pension and OPEB liability	<u>1,732,526</u>
Total liabilities	<u>9,080,816</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB related deferred inflows of resources	<u>122,747</u>
NET POSITION	
Net investment in capital assets	227,854
Restricted for	
Building	114,805
Debt service	320,536
Unrestricted	<u>(1,323,460)</u>
Total net position	<u>(660,265)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,543,298</u>

MAPLETON PUBLIC SCHOOL DISTRICT #7

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

		<u>Program Revenues</u>		Net Revenue (Expense) and Change in Net Position Total
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 1,545,785	\$ 254,256	\$ 1,360,522	\$ 68,993
Federal programs	39,682	-	-	(39,682)
Instructional staff services	12,784	-	-	(12,784)
Executive administration	201,010	-	-	(201,010)
Administration services	172,880	-	-	(172,880)
Operations and maintenance	412,664	-	-	(412,664)
Student activities	1,023	1,000	-	(23)
Student transportation	23,366	-	-	(23,366)
Food service	105,965	57,093	-	(48,872)
Debt service - interest	<u>155,759</u>	<u>-</u>	<u>-</u>	<u>(155,759)</u>
Total governmental activities	\$ <u>2,670,918</u>	\$ <u>312,349</u>	\$ <u>1,360,522</u>	<u>(998,047)</u>
GENERAL REVENUES				
Property taxes				903,847
Interest income				898
Miscellaneous revenues				<u>23,369</u>
Total general revenues				<u>928,114</u>
Change in net position				<u>(69,933)</u>
Net position, July 1				<u>(590,332)</u>
Net position, June 30				\$ <u><u>(660,265)</u></u>

MAPLETON PUBLIC SCHOOL DISTRICT #7
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
ASSETS					
Cash and cash equivalents	\$ 563,882	\$ 114,805	\$ 320,536	\$ 1,415	\$ 1,000,638
Taxes receivable	<u>28,775</u>	<u>1,011</u>	<u>12,038</u>	<u>-</u>	<u>41,824</u>
Total assets	\$ <u><u>592,657</u></u>	\$ <u><u>115,816</u></u>	\$ <u><u>332,574</u></u>	\$ <u><u>1,415</u></u>	\$ <u><u>1,042,462</u></u>
LIABILITIES					
Uncollected taxes	\$ 28,775	\$ 1,011	\$ 12,038	\$ -	\$ 41,824
Accounts payable	174,146	-	-	-	174,146
Salaries payable	<u>96,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,596</u>
Total liabilities	<u>299,517</u>	<u>1,011</u>	<u>12,038</u>	<u>-</u>	<u>312,566</u>
FUND BALANCES					
Restricted for					
Building	-	114,805	-	-	114,805
Debt service	-		320,536	-	320,536
Assigned					
Student activities	-	-	-	1,415	1,415
Unassigned	<u>293,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,140</u>
Total fund balances	<u>293,140</u>	<u>114,805</u>	<u>320,536</u>	<u>1,415</u>	<u>729,896</u>
Total liabilities and fund balances	\$ <u><u>592,657</u></u>	\$ <u><u>115,816</u></u>	\$ <u><u>332,574</u></u>	\$ <u><u>1,415</u></u>	\$ <u><u>1,042,462</u></u>

MAPLETON PUBLIC SCHOOL DISTRICT #7
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances for governmental funds		\$ 729,896
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 are not reported in the governmental funds		
Cost of capital assets	7,582,608	
Less accumulated depreciation	<u>(527,466)</u>	
		7,055,142
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds		41,824
Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds		(1,732,526)
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the funds		
Total deferred outflows of resources	445,694	
Total deferred inflows of resources	<u>(122,747)</u>	
		322,947
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable		<u>(7,077,548)</u>
Total net position of governmental activities		\$ <u><u>(660,265)</u></u>

MAPLETON PUBLIC SCHOOL DISTRICT #7

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Debt Service Fund	Nonmajor Government Funds	Total Government Funds
REVENUES					
Local sources	\$ 788,611	\$ 27,538	\$ 309,702	\$ -	\$ 1,125,851
State sources	1,244,133	-	-	-	1,244,133
Federal sources	99,256	-	-	29,375	128,631
Other sources	23,486	-	-	64,018	87,504
Total revenues	<u>2,155,486</u>	<u>27,538</u>	<u>309,702</u>	<u>93,393</u>	<u>2,586,119</u>
EXPENDITURES					
Current					
Regular instruction	1,407,698	-	-	-	1,407,698
Federal programs	35,433	-	-	-	35,433
Administration services	156,129	-	-	-	156,129
Executive administration	186,664	-	-	-	186,664
Operations and maintenance	374,179	-	-	-	374,179
Student activities	-	-	-	958	958
Student transportation	20,798	-	-	-	20,798
Food service	38,555	-	-	59,123	97,678
Capital outlay	-	8,200	-	-	8,200
Debt service					
Principal	144,740	-	287,712	-	432,452
Interest and fees	4,824	-	150,935	-	155,759
Total expenditures	<u>2,369,020</u>	<u>8,200</u>	<u>438,647</u>	<u>60,081</u>	<u>2,875,948</u>
Excess (deficiency) of revenues over expenditures	<u>(213,534)</u>	<u>19,338</u>	<u>(128,945)</u>	<u>33,312</u>	<u>(289,829)</u>
OTHER FINANCING SOURCES (USES)					
Debt issuance	395,000	-	-	(5,925.00)	389,075
Transfer in	-	73,129	48,869	1,373	123,371
Transfer out	(85,060)	-	-	(38,311)	(123,371)
Total other financing sources (uses)	<u>309,940</u>	<u>73,129</u>	<u>48,869</u>	<u>(42,863)</u>	<u>389,075</u>
Net change in fund balances	<u>96,406</u>	<u>92,467</u>	<u>(80,076)</u>	<u>(9,551)</u>	<u>99,246</u>
FUND BALANCE - JULY 1	<u>196,734</u>	<u>22,338</u>	<u>400,612</u>	<u>10,966</u>	<u>630,650</u>
FUND BALANCES - JUNE 30	<u>\$ 293,140</u>	<u>\$ 114,805</u>	<u>\$ 320,536</u>	<u>\$ 1,415</u>	<u>\$ 729,896</u>

MAPLETON PUBLIC SCHOOL DISTRICT #7

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES JUNE 30, 2019

Net change in fund balances - total governmental funds \$ 99,246

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

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

Current year capital outlay	8,200	
Depreciation expense	<u>(156,366)</u>	(148,166)

Issuance of debt is an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net position. (395,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 432,452

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

Decrease in net pension liability	20,640	
Decrease in deferred outflows of resources	(60,191)	
Increase in deferred inflows of resources	<u>(33,778)</u>	(73,329)

Some revenues reported in the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable along with tuition for local education agencies. 14,864

Change in net position of governmental activities \$ (69,933)

MAPLETON PUBLIC SCHOOL DISTRICT #7**STATEMENT OF NET POSITION****JUNE 30, 2018**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 636,619
Taxes receivable	26,960
Capital assets, net of accumulated depreciation	
Construction in progress	7,077,308
Furniture and equipment	<u>126,000</u>
Total assets	7,866,887
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB related deferred outflows of resources	<u>505,885</u>
Total assets and deferred outflows of resources	\$ <u><u>8,372,772</u></u>
LIABILITIES	
Salaries and benefits payable	\$ 5,969
Current portion of long-term debt	287,301
Long-term liabilities	
Long-term debt, net of current portion	6,827,699
Net pension and OPEB liability	<u>1,753,166</u>
Total liabilities	<u>8,874,135</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB related deferred inflows of resources	<u>88,969</u>
NET POSITION	
Net investment in capital assets	88,308
Restricted for	
Building	22,338
Debt service	400,612
Food service	10,966
Unrestricted	<u>(1,112,556)</u>
Total net position	(590,332)
Total liabilities, deferred inflows of resources and net position	\$ <u><u>8,372,772</u></u>

MAPLETON PUBLIC SCHOOL DISTRICT #7

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenues		Net Revenue (Expense) and Change in Net Position Total
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 1,513,027	\$ 209,436	\$ 992,346	\$ (311,245)
Federal programs	67,070	-	-	(67,070)
Instructional staff services	1,145	-	-	(1,145)
Administration services	136,378	-	-	(136,378)
Executive administration	209,344	-	-	(209,344)
Operations and maintenance	751,497	-	-	(751,497)
Student transportation	50,677	-	-	(50,677)
Food service	79,314	4,530	-	(74,784)
	<u>2,808,452</u>	<u>213,966</u>	<u>992,346</u>	<u>(1,602,140)</u>
Total governmental activities	\$ <u>2,808,452</u>	\$ <u>213,966</u>	\$ <u>992,346</u>	<u>(1,602,140)</u>
GENERAL REVENUES				
Property taxes				969,147
Interest income				41,215
Miscellaneous revenues				<u>676,802</u>
Total general revenues				<u>1,687,164</u>
Change in net position				<u>85,024</u>
Net position, July 1, as previously reported				559,135
Adjustments to opening net pension and OPEB liability				(1,243,755)
Change in accounting principle				<u>9,264</u>
Net position, July 1, as adjusted				<u>(675,356)</u>
Net position, June 30				\$ <u>(590,332)</u>

MAPLETON PUBLIC SCHOOL DISTRICT #7
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Funds</u>
ASSETS					
Cash and cash equivalents	\$ 202,703	\$ 22,338	\$ 400,612	\$ 10,966	\$ 636,619
Taxes Receivable	<u>14,795</u>	<u>741</u>	<u>11,424</u>	<u>-</u>	<u>26,960</u>
Total assets	\$ <u><u>217,498</u></u>	\$ <u><u>23,079</u></u>	\$ <u><u>412,036</u></u>	\$ <u><u>10,966</u></u>	\$ <u><u>663,579</u></u>
LIABILITIES					
Accounts payable	\$ <u>5,969</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,969</u>
DEFERRED INFLOW OF RESOURCES					
Deferred Tax Revenue	<u>14,795</u>	<u>741</u>	<u>11,424</u>	<u>-</u>	<u>26,960</u>
FUND BALANCES					
Restricted for					
Building	-	22,338	-	-	22,338
Debt service fund	-	-	400,612	-	400,612
Food service	-	-	-	10,966	10,966
Unassigned	<u>196,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,734</u>
Total fund balances	<u>196,734</u>	<u>22,338</u>	<u>400,612</u>	<u>10,966</u>	<u>630,650</u>
Total liabilities and fund balances	\$ <u><u>217,498</u></u>	\$ <u><u>23,079</u></u>	\$ <u><u>412,036</u></u>	\$ <u><u>10,966</u></u>	\$ <u><u>663,579</u></u>

MAPLETON PUBLIC SCHOOL DISTRICT #7
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances for governmental funds	\$	630,650
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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 are not reported in the governmental funds

Cost of capital assets	7,574,408	
Less accumulated depreciation	<u>(371,100)</u>	
		7,203,308

Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds	26,960
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Net pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the governmental funds	(1,753,166)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the funds

Total deferred outflows of resources	505,885	
Total deferred inflows of resources	<u>(88,969)</u>	
		416,916

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	<u>(7,115,000)</u>
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Total net position of governmental activities	\$	<u><u>(590,332)</u></u>
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MAPLETON PUBLIC SCHOOL DISTRICT #7

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Debt Service Fund	Nonmajor Government Funds	Total Government Funds
REVENUES					
Local sources	\$ 780,472	\$ 30,214	\$ 371,550	\$ -	\$ 1,182,236
State sources	1,012,379	-	-	-	1,012,379
Other sources	533,999	-	-	26,067	560,066
Total revenues	<u>2,326,850</u>	<u>30,214</u>	<u>371,550</u>	<u>26,067</u>	<u>2,754,681</u>
EXPENDITURES					
Current					
Regular instruction	1,499,011	-	-	9,264	1,508,275
Federal programs	64,696	-	-	-	64,696
Administration services	126,826	-	-	-	126,826
Executive administration	200,750	-	-	-	200,750
Operations and maintenance	448,875	-	-	-	448,875
Student transportation	49,196	-	-	-	49,196
Food service	50,758	-	-	26,067	76,825
Capital outlay	-	2,374,852	-	-	2,374,852
Debt service					
Principal	-	-	85,000	-	85,000
Total expenditures	<u>2,440,112</u>	<u>2,374,852</u>	<u>85,000</u>	<u>35,331</u>	<u>4,935,295</u>
Excess (deficiency) of revenues over expenditures	<u>(113,262)</u>	<u>(2,344,638)</u>	<u>286,550</u>	<u>(9,264)</u>	<u>(2,180,614)</u>
OTHER FINANCING SOURCES					
Debt issuance	-	2,055,997	-	-	2,055,997
Net change in fund balances	<u>(113,262)</u>	<u>(288,641)</u>	<u>286,550</u>	<u>(9,264)</u>	<u>(124,617)</u>
FUND BALANCE - JULY 1, as previously reported	<u>309,996</u>	<u>310,979</u>	<u>114,062</u>	<u>10,966</u>	<u>746,003</u>
Change in accounting principle - Note 1	-	-	-	9,264	9,264
FUND BALANCE - JULY 1, as adjusted	<u>309,996</u>	<u>310,979</u>	<u>114,062</u>	<u>20,230</u>	<u>755,267</u>
FUND BALANCES - JUNE 30	<u>\$ 196,734</u>	<u>\$ 22,338</u>	<u>\$ 400,612</u>	<u>\$ 10,966</u>	<u>\$ 630,650</u>

MAPLETON PUBLIC SCHOOL DISTRICT #7

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES JUNE 30, 2018

Net change in fund balances - total governmental funds \$ (124,617)

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

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

Current year capital outlay	2,260,174	
Depreciation expense	<u>(14,000)</u>	
		2,246,174

Issuance of debt is an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net position. (2,055,997)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 85,000

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

Increase in net pension and OPEB liability	(130,415)	
Increase in deferred outflows of resources	31,836	
Decrease in deferred inflows of resources	<u>6,083</u>	
		(92,496)

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

26,960

Change in net position of governmental activities \$ 85,024

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The financial statements of the Mapleton Public School District #7 (“the District”), Mapleton, North Dakota, have been prepared in conformity with accounting principles general accepted in the United States of America (“GAAP”) as applied to government units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the Mapleton Public School District #7. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. Their criteria include appointing a voting majority of an organization’s governing board and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or imposed financial burdens on the District.

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

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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

The District reports the following major governmental funds:

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

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

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs for the general obligation school building bonds.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and certificates of deposit, which have original maturity dates of six months or less.

Property Taxes

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

Capital Assets

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

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Furniture and equipment	10

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes and unavailable revenues from local education agencies on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Salaries and Benefits Payable

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs in the current period. The face amount of the debt at inception is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (“NDPERS”) and the North Dakota Teachers’ Fund for Retirement (“TFFR”) and additions to/deductions from NDPERS’s and TFFR’s fiduciary net positions have been determined on the same basis as they are reported by NDPERS’s and 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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Financial Statements

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

Restricted and Unrestricted Resources

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

Fund Balance and Classification Policies and Procedures

The District classifies governmental fund balances as follows:

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

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

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

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

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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

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

Program Revenues

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

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

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

Accounts Payable

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

New Accounting Pronouncement

During the year ended June 30, 2019, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the student activity funds as a special revenue fund as part of the governmental funds and as such were not recorded in ending net position of the statement of activities. Beginning net position on the statement of activities and fund balance on the statement of revenues, expenditures and changes in fund balance have been restated to reflect this change.

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

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

At year ended June 30, 2019, the District's carrying amount of deposits was \$1,000,638 and the bank balances were \$1,016,640. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$766,640 was uninsured and uncollateralized.

At year ended June 30, 2018, the District's carrying amount of deposits was \$636,619 and the bank balances were \$609,954. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$359,954 was uninsured and uncollateralized.

Interest Rate Risk

The District does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within one year.

Credit Risk

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

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

Concentration of Credit Risk

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

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 – TAXES RECEIVABLE

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

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

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Construction in progress	\$ 7,077,308	\$ -	\$ -	\$ (7,077,308)	\$ -
Capital assets, being depreciated					
Buildings	357,100	8,200	-	7,077,308	7,442,608
Furniture & equipment	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
Total capital assets, being depreciated	<u>497,100</u>	<u>8,200</u>	<u>-</u>	<u>7,077,308</u>	<u>7,582,608</u>
Less accumulated depreciation for					
Buildings	357,100	141,546	-	-	498,646
Furniture & equipment	<u>14,000</u>	<u>14,820</u>	<u>-</u>	<u>-</u>	<u>28,820</u>
Total accumulated depreciation	<u>371,100</u>	<u>156,366</u>	<u>-</u>	<u>-</u>	<u>527,466</u>
Capital assets, net	\$ <u>7,203,308</u>	\$ <u>(148,166)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,055,142</u>

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

Regular Instruction (School/Student learning)	\$ 96,717
Federal Programs	2,427
Executive Administration	12,784
Administration (Business offices)	10,694
Operations and Maintenance	25,629
Student Transportation	1,425
Food Services (Hot Lunch)	<u>6,690</u>
Total depreciation on buildings/equip	\$ <u>156,366</u>

MAPLETON PUBLIC SCHOOL DISTRICT #7

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Construction in progress	\$ 4,957,134	\$ 2,120,174	\$ -	\$ 7,077,308
Capital assets, being depreciated				
Buildings	357,100	-	-	357,100
Furniture & equipment	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total capital assets, being depreciated	<u>357,100</u>	<u>140,000</u>	<u>-</u>	<u>497,100</u>
Less accumulated depreciation for				
Buildings	357,100	-	-	357,100
Furniture and equipment	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total accumulated depreciation	<u>357,100</u>	<u>14,000</u>	<u>-</u>	<u>371,100</u>
Capital assets, net	\$ <u>4,957,134</u>	\$ <u>2,246,174</u>	\$ <u>-</u>	\$ <u>7,203,308</u>

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

Regular Instruction (School/Student learning)	\$ 8,653
Federal Programs	217
Executive Administration	1,145
Administration (Business offices)	957
Operations and Maintenance	2,295
Student Activities	6
Student Transportation	128
Food Services (Hot Lunch)	<u>599</u>
Total depreciation on buildings/equip	\$ <u>14,000</u>

NOTE 5 – LONG-TERM LIABILITIES

During the year ended June 30, 2019, the following changes occurred in liabilities reported in the long-term liabilities of governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation building bonds	\$ 7,115,000	\$ -	\$ 287,712	\$ 6,827,288	\$ 292,234
Certificate of indebtedness	-	395,000	144,740	250,260	35,000
Net pension liability	<u>1,753,166</u>	<u>-</u>	<u>20,640</u>	<u>1,732,526</u>	<u>-</u>
Total	\$ <u>8,868,166</u>	\$ <u>395,000</u>	\$ <u>453,092</u>	\$ <u>8,810,074</u>	\$ <u>327,234</u>

(Continued)

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

During the year ended June 30, 2018, the following changes occurred in liabilities reported in the long-term liabilities of governmental activities:

	Beginning Balance Previously Reported	Prior Period Adjustments	Beginning Balance As Adjusted	Increases	Decreases	Ending Balance	Due Within One Year
General obligation building bonds	\$ 5,144,003	\$ -	\$ 5,144,003	\$ 2,055,997	\$ 85,000	\$ 7,115,000	\$ 287,301
Net pension liability	-	1,561,442	1,561,442	191,724	-	1,753,166	-
Total	\$ 5,144,003	\$ 1,561,442	\$ 6,705,445	\$ 2,247,721	\$ 85,000	\$ 8,868,166	\$ 287,301

Outstanding debt as June 30, 2019, consists of the following issues:

General obligation bonds payable outstanding in the District's governmental activities at June 30 are as follows:

	2019	2018
\$2,160,000 General Obligation School Building Bonds, series 2016, due in annual installments of \$85,000 to \$135,000 through August 2036; interest at 2.00% to 3.00%.	\$ 1,985,000	\$ 2,075,000
\$5,040,000 General Obligation School Building Bond, Series 2017, due in annual installments of \$232,680 to \$278,320 beginning on August 1, 2018 through August 1, 2037; interest at 2.00%.	4,842,699	5,040,000
	\$ 6,827,699	\$ 7,115,000

The annual requirements to amortize the outstanding general obligation bonds are as follows:

	Principal	Interest	Total
2020	\$ 292,234	\$ 144,057	\$ 436,291
2021	302,290	138,111	440,401
2022	307,472	132,014	439,486
2023	312,784	125,811	438,595
2024	323,228	119,451	442,679
2025-2029	1,722,692	495,585	2,218,277
2030-2034	1,950,718	296,032	2,246,750
2035-2038	1,616,281	67,554	1,683,835
	\$ 6,827,699	\$ 1,374,558	\$ 7,910,023
Total general obligation bonds			\$ 6,827,699

Certificate of indebtedness outstanding in the District's governmental activities at June 30 are as follows:

\$395,000 Certificate of Indebtedness, Series 2018, due in annual installments of \$35,000 to \$45,000 through August 1, 2028; interest at 2.25% to 3%.	\$ 250,260
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MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The annual requirements to amortize the outstanding certificates of indebtedness are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,000	\$ 10,056	\$ 45,056
2021	35,000	9,675	44,675
2022	35,000	8,888	43,888
2023	40,000	8,100	48,100
2024	40,000	7,200	47,200
2025-2029	<u>65,260</u>	<u>19,050</u>	<u>84,310</u>
	<u>\$ 250,260</u>	<u>\$ 62,969</u>	<u>\$ 313,229</u>

NOTE 6 – PENSION PLANS

General Information about the TFFR Pension Plan

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

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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.

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.

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 and 2018, the District reported a liability of \$1,569,513 and \$1,561,422 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018 and 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 proportion of the net pension liability was based on the District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2018 and 2017 the District's proportion was 0.11775542 and 0.11397987 percent, which was an increase of .00407555 and 0.00993313 from its proportion measured as of July 1, 2017 and 2016.

For the year ended June 30, 2019 and 2018 the District recognized pension expense of \$155,782 and \$160,185. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,260	\$ 42,686	\$ 5,989	\$ 17,045
Changes of assumptions	86,462	-	111,292	-
Net difference between projected and actual earnings on pension plan investments	-	5,426	21,568	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	141,186	40,379	117,712	50,474
Employer contributions subsequent to the measurement date	<u>106,677</u>	<u>-</u>	<u>102,065</u>	<u>-</u>
	<u>\$ 338,585</u>	<u>\$ 88,491</u>	<u>\$ 358,626</u>	<u>\$ 67,519</u>

\$106,677 and \$102,065 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, 2020 and 2019.

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

Year ended June 30:	
2020	\$ 68,418
2021	46,477
2022	7,987
2023	(332)
2024	18,191
Thereafter	2,676

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.

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of July 1, 2018, are summarized in the following table:

Asset Class	2019		2018	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global equities	58%	6.7%	58%	6.7%
Global fixed income	23%	1.5%	23%	0.8%
Global real assets	18%	5.1%	18%	5.2%
Cash equivalents	1%	0.0%	1%	0.0%

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 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:

2019	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ <u>2,119,297</u>	\$ <u>1,569,513</u>	\$ <u>1,112,264</u>
2018	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ <u>2,119,297</u>	\$ <u>1,561,422</u>	\$ <u>1,133,103</u>

(Continued)

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System (Main Systems)

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

At June 30, 2019 and 2018, the Employer reported a liability of \$156,171 and \$183,235, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, 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 Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 and 2017, the Employer's proportion was 0.009254 and 0.011400 percent, which was a decrease of 0.002146 and 0.000852 from its proportion measured as of June 30, 2017 and 2016, respectively.

For the year ended June 30, 2019 and 2018, the Employer recognized pension expense of \$31,396 and \$36,638. At June 30, 2019 and 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 414	\$ 5,313	\$ 1,089	\$ 893
Changes of assumptions	56,375	2,229	75,139	4,133
Net difference between projected and actual earnings on pension plan investments	-	760	2,464	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,521	24,752	55,725	15,894
Employer contributions subsequent to the measurement date	6,807	-	10,219	-
	<u>\$ 105,117</u>	<u>\$ 33,054</u>	<u>\$ 144,636</u>	<u>\$ 20,920</u>

\$6,807 and \$10,219 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 ended June 30, 2020 and 2019, respectively.

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

Year ended June 30:

2020	\$ 21,708
2021	19,732
2022	20,738
2023	3,991
2024	(913)
Thereafter	-

(Continued)

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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	2.50%
Salary increases	5.00% to 12.00%, including inflation
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
International Fixed Income	-	-
Global Real Assets	19%	5.11%
Cash Equivalents	-	-

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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 6.32 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 (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
District's proportionate share of net pension liability	\$ <u>212,208</u>	\$ <u>156,171</u>	\$ <u>109,411</u>

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
District's proportionate share of net pension liability	\$ <u>248,748</u>	\$ <u>183,235</u>	\$ <u>128,732</u>

Pension Plan Fiduciary Net Position

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

North Dakota Public Employees Retirement System Other Post Employment Benefits

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the Employer reported a liability of \$6,842 and \$8,509 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the Employer's proportion was 0.008688 percent, which was an decrease of 0.002069 from its proportion measured as of June 30, 2017. At June 30, 2017, The employer's proportion was .010757 percent.

MAPLETON PUBLIC SCHOOL DISTRICT #7

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

For the year ended June 30, 2019 and 2018, the Employer recognized OPEB expense of \$726 and \$1,051. At June 30, 2019 and 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203	\$ 141	\$ -	\$ 208
Changes of assumptions	561	-	824	-
Net difference between projected and actual earnings on pension plan investments	-	147	-	322
Changes in proportion and differences between employer contributions and proportionate share of contributions	138	914	163	-
Employer contributions subsequent to the measurement date	<u>1,090</u>	<u>-</u>	<u>1,636</u>	<u>-</u>
	<u>\$ 1,992</u>	<u>\$ 1,202</u>	<u>\$ 2,623</u>	<u>\$ 530</u>

\$1,090 and \$1,636 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020 and 2019.

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

Year ended June 30:

2019	\$ (63)
2020	(63)
2021	(63)
2022	2
2023	(10)
Thereafter	(103)

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not Applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 and 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

Discount rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MAPLETON PUBLIC SCHOOL DISTRICT #7

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

2019	Current		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of net pension liability	\$ 8,657	\$ 6,842	\$ 5,287

2018	Current		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of net pension liability	\$ 10,652	\$ 8,509	\$ 6,672

NOTE 7 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), 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 NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$772,421 for public asset coverage.

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

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

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

NOTE 8 – RELATED PARTY

The District has entered into a snow removal contract with a company in which the owner of the company is also a member of the District's board. The contract total was approximately \$7,160 for the year ended June 30, 2019.

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84. Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the student activity funds as a special revenue fund in the governmental funds. The student activity funds were not previously reported as governmental funds and as such were not recorded in ending net position of the statement of activities.

The prior auditor did not include net pension liability, deferred outflows, or deferred inflows for TFFR, NDPERS, or OPEB in the June 30, 2017, financial statements, therefore the July 1, 2017, net position has been adjusted as follows:

June 30, 2017, Net Position	559,135
Less beginning net pension liability - TFFR	(1,519,950)
Less beginning net pension liability - NDPERS	(102,801)
Less beginning deferred inflows - TFFR	(67,766)
Less beginning deferred inflows - NDPERS	(27,287)
Plus beginning deferred outflows - TFFR	375,520
Plus beginning deferred outflows - NDPERS	96,988
Plus beginning deferred outflows - OPEB	1,541
Agency Funds	9,264
July 1, 2017, beginning net position as adjusted	(675,356)

MAPLETON PUBLIC SCHOOL DISTRICT #7

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018**

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION AND OPEB LIABILITY
LAST 10 FISCAL YEARS*

Schedule of Employer's Share of Net Pension and OPEB Liability

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
ND TFFR	6/30/2018	0.117755%	\$ 1,569,513	\$ 800,512	196.06%	65.5%
ND TFFR	6/30/2017	0.113680%	\$ 1,561,422	\$ 767,307	203.49%	63.2%
ND TFFR	6/30/2016	0.103747%	\$ 1,519,950	\$ 674,068	225.49%	59.2%
ND TFFR	6/30/2015	0.109801%	\$ 1,436,038	\$ 675,390	212.62%	62.1%
ND TFFR	6/30/2014	0.107723%	\$ 1,128,746	\$ 624,849	180.64%	66.6%
ND PERS	6/30/2018	0.009254%	\$ 156,171	\$ 95,070	164.27%	62.8%
ND PERS	6/30/2017	0.011400%	\$ 183,235	\$ 116,378	157.45%	62.0%
ND PERS	6/30/2016	0.010548%	\$ 102,801	\$ 106,300	96.71%	70.0%

* Complete data for this schedule is not available prior to 2014 for TFFR and 2016 for NDPERS.

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

Schedule of Employer's Share of Net Pension and OPEB Liability

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS - OPEB	6/30/2018	0.008688%	\$ 6,842	\$ 95,070	7.20%	61.9%
NDPERS - OPEB	6/30/2017	0.010757%	\$ 8,509	\$ 116,378	7.31%	59.8%

* Complete data for this schedule is not available prior to 2017.

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

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Schedule of Employer's Contributions

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
ND TFFR	6/30/2018	\$ 102,065	\$ (102,065)	\$ -	\$ 800,512	12.75%
ND TFFR	6/30/2017	\$ 97,832	\$ (97,832)	\$ -	\$ 767,307	12.75%
ND TFFR	6/30/2016	\$ 85,944	\$ (85,944)	\$ -	\$ 674,068	12.75%
ND TFFR	6/30/2015	\$ 86,108	\$ (86,108)	\$ -	\$ 675,390	12.75%
ND TFFR	6/30/2014	\$ 67,171	\$ (67,171)	\$ -	\$ 624,849	10.75%
ND PERS	6/30/2018	\$ 7,002	\$ (10,219)	\$ (3,217)	\$ 95,070	10.75%
ND PERS	6/30/2017	\$ 8,439	\$ (9,626)	\$ (1,187)	\$ 116,378	8.27%
ND PERS	6/30/2016	\$ 7,696	\$ (13,256)	\$ (5,560)	\$ 106,300	12.47%

* Complete data for this schedule is not available prior to 2014 for TFFR and 2016 for NDPERS.

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

Schedule of Employer's Contributions - OPEB

<u>Pension Plan</u>	<u>Balance Sheet Date**</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
NDPERS - OPEB	6/30/2018	\$ 1,115	\$ (1,636)	\$ (521)	\$ 95,070	1.72%
NDPERS - OPEB	6/30/2017	\$ 1,353	\$ (1,541)	\$ (188)	\$ 116,378	1.32%

* Complete data for this schedule is not available prior to 2017.

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

MAPLETON PUBLIC SCHOOL DISTRICT #7
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES			
Local sources	\$ 761,046	\$ 788,611	\$ 27,565
State sources	1,135,000	1,244,133	109,133
Federal sources	-	99,256	99,256
Other sources	<u>7,800</u>	<u>23,486</u>	<u>15,686</u>
Total revenues	<u>1,903,846</u>	<u>2,155,486</u>	<u>251,640</u>
EXPENDITURES			
Current			
Regular instruction	1,411,122	1,407,698	(3,424)
Federal programs	18,716	35,433	16,717
Administration services	96,300	156,129	59,829
Executive administration	190,862	186,664	(4,198)
Operations and maintenance	108,397	374,179	265,782
Student transportation	32,225	20,798	(11,427)
Food service	36,248	38,555	2,307
Debt service			
Principal	-	144,740	-
Interest and fees	<u>-</u>	<u>4,824</u>	<u>-</u>
Total expenditures	<u>1,893,870</u>	<u>2,369,020</u>	<u>325,586</u>
Excess (deficiency) of revenues over expenditures	9,976	(213,534)	(73,946)
OTHER FINANCING SOURCES (USES)			
Debt issuance	-	395,000	395,000
Transfer out	<u>-</u>	<u>(85,060)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>309,940</u>	<u>395,000</u>
Net change in fund balance	<u>9,976</u>	<u>96,406</u>	<u>321,054</u>
FUND BALANCE, JULY 1	<u>196,734</u>	<u>196,734</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ 293,140</u></u>	<u><u>\$ -</u></u>

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Due to a lack of records the 2018 budget information was not available and is therefore not included.

NOTE 2 – OVERSPENT BUDGET

The District overspent its general fund by \$325,586. No remedial action is anticipated.

NOTE 3 – PENSIONS

North Dakota Teacher's Fund for Retirement Changes of Assumptions

Changes of benefit terms

- All benefit terms are unchanged from the last actuarial valuation.

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% 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.

MAPLETON PUBLIC SCHOOL DISTRICT #7
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

North Dakota Public Employees Retirement System Changes of Assumptions

Changes of benefit terms

- All benefit terms are unchanged from the last actuarial valuation.

Changes of assumptions

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018, based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

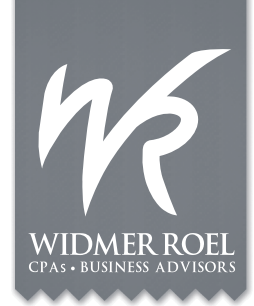
North Dakota Public Employees Retirement System – OPEB Changes of Assumptions

Changes of benefit terms

- All benefit terms are unchanged from the last actuarial valuation.

Changes of assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018, based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



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

Phone: 701.237.6022
Toll Free: 888.237.6022
Fax: 701.280.1495

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

School Board and Administration
Mapleton Public School District #7
Mapleton, North Dakota

We were engaged to audit, 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 **Mapleton Public School District #7** (District), as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise **Mapleton Public School District #7's** basic financial statements, and have issued our report thereon dated January 31, 2024. Our report disclaims an opinion due to lack of supporting documentation related to material financial statement balances.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements, we considered **Mapleton Public School District #7'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 **Mapleton Public School District #7's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Mapleton Public School District #7's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *schedule of findings and responses* as items 2019-001 through 2019-007 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Mapleton Public School District #7's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the financial statements, other instances of noncompliance or other matters may have been identified and reported therein as items 2019-005 through 2019-007.

Mapleton Public School District #7's Response to Findings

Mapleton Public School District #7's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Mapleton Public School District #7's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Fargo, North Dakota
January 31, 2024

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Disclaimer	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> X </u> yes	<u> </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 (MATERIAL WEAKNESS) – GAAP FINANCIAL STATEMENT PREPARATION

Condition

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

Criteria

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

Cause

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

Effect

The financial statements could be materially misstated or omit material financial statement disclosures.

Recommendation

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

Views of Responsible Officials

The School District recognizes this finding and does not find it cost-effective to prepare financial statements in accordance with the Generally Accepted Principles and will continue to utilize Widmer Roel for this service and monitor in the future.

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2019-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

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

Views of Responsible Officials

The School District recognizes this finding and is working on implementing controls where possible. It is not feasible to segregate duties 100%, however the board is reviewing the financials as well as approving disbursements on a regular basis and will continue to look for ways to further segregate duties where feasible.

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2019-003 (MATERIAL WEAKNESS) – CAPITAL ASSET RECORDS

Condition

The District does not currently have sufficient capital asset records to enable presentation of capital assets and related depreciation in the District's financial statements.

Criteria

Government GAAP requires the inclusion of property and equipment in the government-wide financial statements.

Cause

The District has not previously had adequate processes in place to accurately record, track and reconcile property and equipment records suitable for financial statement presentation.

Effect

The government-wide financial statements of the District are misstated to the extent capital assets and related depreciation are not presented.

Recommendation

We recommend management develop and implement policies and procedures for identifying, recording, reconciling, and reporting capital assets in accordance with GAAP.

Views of Responsible Officials

Due to turnover there are some records that have not been maintained properly and the School District is working on better record retention policies and to help keep track of capital asset records.

2019-004 (MATERIAL WEAKNESS) – LACK OF SUPPORTING DOCUMENTATION

Condition

The District does not currently have sufficient supporting documentation related to is material revenues and expenses for the years ended June 30, 2019 and 2018.

Criteria

The North Dakota Department of Public Instruction recommends adopting a records retention policy.

Cause

The district business manager at the time did not keep sufficient records for the time period being audited.

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Effect

The District's operations lack proper support which could increase the risk of material misstatements in the financial statements and the risk of noncompliance with state or federal laws and regulations.

Recommendation

We recommend management develop and implement policies and processes for proper document retention in accordance with North Dakota Department of Public Instruction best practices.

Views of Responsible Officials

Due to turnover there are some records that have not been maintained properly and the School District is working on better record retention policies and to help ensure complete records and financial information.

2019-005 (MATERIAL WEAKNESS) – BUSINESS MANAGER REPORT DISCREPANCIES

Condition

The District's Annual Financial Report submitted to the North Dakota Department of Public Instruction did not include all revenue streams from Cass County.

Criteria

NDCC 15.1-09-35 requires the submission of this annual financial report. The Business Manager and School Board President are required to sign the report stating that all revenues and expenses are correct.

Cause

The District lacked adequate accounting controls to ensure complete and accurate financial reporting.

Effect

The annual financial report was misstated to the extent of the omitted Cass County revenues, which may violate state law and potentially jeopardize future funding.

Recommendation

We recommend the District implement controls to ensure complete and accurate compliance and financial reporting.

Views of Responsible Officials

Due to turnover there are some records that have not been maintained properly and the School District is working on better record retention policies and to help ensure complete records and financial information.

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2019-006 (MATERIAL WEAKNESS) – BOARD MEETING MINUTES RETENTION

Condition

The District did not maintain complete copies of all the School Board meeting minutes.

Criteria

NDCC 15.1-07-25.2 states “A school district shall permanently retain the minutes of each school board meeting.”

Cause

The District did not have adequate document retention policies to ensure retention of official minutes. Minutes were missing for the year ended June 30, 2021 and previous years.

Effect

The District may be in violation of NDCC 15.01-07-25.2.

Recommendation

We recommend the District adopt and implement a policy to permanently maintain a copy of School Board Minutes in accordance with NDCC 15.01-07-25.2.

Views of Responsible Officials

The School District recognizes this finding and has since resolved this solution going forward starting in the school year ending June, 30 2022.

2019-007 (MATERIAL WEAKNESS) – CONFLICT OF INTEREST

Condition

A Board member with a conflict-of-interest did not abstain from voting on a contract for which the Board approved.

Criteria

NDCC 15.1-07-17 states in “1. A school board member or other school officer who has a conflict of interest in any contract requiring the expenditure of school funds shall disclose the conflict to the board and may not participate in any discussions or votes regarding that contract without the consent of all other board members. 2. For purposes of this section, a conflict of interest means the personal, professional, or pecuniary interest of an individual, the individual's spouse or relative, or the individual's business or professional associate. 3. Any person who violates this section is guilty of a class A misdemeanor.”

MAPLETON PUBLIC SCHOOL DISTRICT #7
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Cause

The Board approved a contract in November 2018 with a business owned by a board member. The minutes did not indicate whether the board member disclosed the conflict or abstained from discussing or voting on the contract.

Effect

The Board may be in violation of NDCC 15.01-07-17.

Recommendation

We recommend the District consult with their legal representative in relation to potential conflicts with NDCC 15.01-07-17.

Views of Responsible Officials

The School District recognizes this finding and has not had any known conflicts-of-interest since the November 2018 board meeting whereby a board member did not abstain.