

**MADDOCK PUBLIC SCHOOL
DISTRICT NO. 9**

**FINANCIAL STATEMENTS
JUNE 30, 2023**

WITH INDEPENDENT AUDITOR'S REPORT

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

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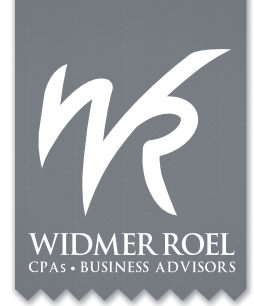
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MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

**SCHOOL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2023**

Current

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



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Maddock Public School District No. 9** ("School District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Maddock Public School District No. 9**, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Maddock Public School District No. 9** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Maddock Public School District No. 9's management is responsible for the preparation and fair presentation of the 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 **Maddock Public School District No. 9's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Maddock Public School District No. 9's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Maddock Public School District No. 9's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the 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 Liability, Schedule of Employer Contributions, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of the **Maddock Public School District No. 9's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Maddock Public School District No. 9's** internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Wilmer Poel" followed by a stylized flourish.

Fargo, North Dakota
March 26, 2024

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**STATEMENT OF NET POSITION****JUNE 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,128,252
Taxes receivable	45,775
Accounts receivable	9,411
Capital assets, net	
Land	25,450
Buildings	432,401
Vehicles	307,838
Equipment	<u>35,473</u>
Total assets	<u>2,984,600</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	<u>269,999</u>
Total assets and deferred outflows of resources	<u>\$ 3,254,599</u>
LIABILITIES	
Accrued expenses	\$ 88,419
Net pension liability	<u>1,617,094</u>
Total liabilities	<u>1,705,513</u>
DEFERRED INFLOWS OF RESOURCES	
Pension and related deferred inflows of resources	<u>343,110</u>
NET POSITION	
Net investment in capital assets	801,162
Restricted for	
Capital projects	473,234
Food service	2,935
Special reserve	45,481
Committed - student activities	118,065
Unrestricted	<u>(234,901)</u>
Total net position	<u>1,205,976</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,254,599</u>

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

		Program Revenues		Net Revenue (Expense) and Change in Net Position Total
	Expenses	Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 1,010,151	\$ 15,164	\$ 1,253,119	\$ 258,132
Federal programs	124,048	-	359,236	235,188
District wide services	149,476	-	-	(149,476)
Special education	176,047	-	95,675	(80,372)
Administration services	356,055	-	-	(356,055)
Vocational education	100,901	-	16,567	(84,334)
Operations and maintenance	337,729	-	-	(337,729)
Student activities	164,753	135,683	-	(29,070)
Student transportation	142,082	-	123,693	(18,389)
Food service	133,769	58,128	56,957	(18,684)
Community service	40,710	-	-	(40,710)
	<u>2,735,721</u>	<u>208,975</u>	<u>1,905,247</u>	<u>(621,499)</u>
Total governmental activities	\$ <u>2,735,721</u>	\$ <u>208,975</u>	\$ <u>1,905,247</u>	<u>(621,499)</u>
GENERAL REVENUES				
Property taxes				1,111,850
In lieu of property taxes				17,248
State aid not restricted to specific program				2,581
Miscellaneous revenues				<u>59,188</u>
Total general revenues				<u>1,190,867</u>
Change in net position				<u>569,368</u>
Net position July 1				<u>636,608</u>
Net position, June 30				\$ <u>1,205,976</u>

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**BALANCE SHEET - GOVERNMENTAL FUNDS****JUNE 30, 2023**

	General Fund	Building Fund	Nonmajor Funds	Total Funds
ASSETS				
Cash and cash equivalents	\$ 1,489,220	\$ 473,234	\$ 165,798	\$ 2,128,252
Taxes receivable	40,880	4,450	445	45,775
Accounts receivable	<u>6,915</u>	<u>-</u>	<u>2,496</u>	<u>9,411</u>
Total assets	<u>\$ 1,537,015</u>	<u>\$ 477,684</u>	<u>\$ 168,739</u>	<u>\$ 2,183,438</u>
LIABILITIES				
Accrued expenses	<u>\$ 86,606</u>	<u>\$ -</u>	<u>\$ 1,813</u>	<u>\$ 88,419</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	<u>40,880</u>	<u>4,450</u>	<u>445</u>	<u>45,775</u>
FUND BALANCES				
Restricted for				
Capital projects	-	473,234	-	473,234
Food service	-	-	2,935	2,935
Special reserve	-	-	45,481	45,481
Committed - student activities	-	-	118,065	118,065
Unassigned	<u>1,409,529</u>	<u>-</u>	<u>-</u>	<u>1,409,529</u>
Total fund balances	<u>1,409,529</u>	<u>473,234</u>	<u>166,481</u>	<u>2,049,244</u>
Total liabilities and fund balances	<u>\$ 1,537,015</u>	<u>\$ 477,684</u>	<u>\$ 168,739</u>	<u>\$ 2,183,438</u>

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances for governmental funds	\$	2,049,244
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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	3,232,850	
Less accumulated depreciation	<u>(2,431,688)</u>	
		801,162

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.		45,775
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Net pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		(1,617,094)
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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	269,999	
Total deferred inflows of resources	<u>(343,110)</u>	
		<u>(73,111)</u>

Total net position of governmental activities	\$	<u><u>1,205,976</u></u>
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MADDOCK PUBLIC SCHOOL DISTRICT NO. 9**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Building Fund	Nonmajor Government Funds	Total Government Funds
REVENUES				
Local sources	\$ 1,027,861	\$ 115,273	\$ 10,837	\$ 1,153,971
State sources	1,484,354	-	-	1,484,354
Federal sources	363,935	-	61,205	425,140
Charges for services	-	-	197,737	197,737
Other sources	46,072	523	-	46,595
	<u>2,922,222</u>	<u>115,796</u>	<u>269,779</u>	<u>3,307,797</u>
Total revenues				
EXPENDITURES				
Current				
Regular instruction	1,071,976	-	-	1,071,976
Federal programs	124,048	-	-	124,048
District wide services	149,476	-	-	149,476
Special education	176,047	-	-	176,047
Administration services	356,055	-	-	356,055
Vocational education	100,901	-	-	100,901
Operations and maintenance	293,235	6,977	-	300,212
Student activities	74,781	-	118,509	193,290
Student transportation	262,980	-	-	262,980
Food service	14,321	-	119,447	133,768
Community service	40,710	-	-	40,710
Capital outlay	-	42,028	-	42,028
	<u>2,664,530</u>	<u>49,005</u>	<u>237,956</u>	<u>2,951,491</u>
Total expenditures				
Net change in fund balances	<u>257,692</u>	<u>66,791</u>	<u>31,823</u>	<u>356,306</u>
FUND BALANCE, JULY 1	<u>1,151,837</u>	<u>406,443</u>	<u>134,658</u>	<u>1,692,938</u>
FUND BALANCE, JUNE 30	\$ <u><u>1,409,529</u></u>	\$ <u><u>473,234</u></u>	\$ <u><u>166,481</u></u>	\$ <u><u>2,049,244</u></u>

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net change in fund balances - total governmental funds \$ 356,306

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	206,566	
Depreciation expense	<u>(78,121)</u>	
		128,445

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	(394,281)	
Increase in deferred outflows of resources	99,033	
Increase in deferred inflows of resources	<u>382,574</u>	
		87,326

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.

(2,709)

Change in net position of governmental activities \$ 569,368

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

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

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

Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. School 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 School District’s funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Measurement Focus and Basis of Accounting

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

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

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

The School District reports the following major governmental funds:

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

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

Cash and Cash Equivalents

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

Capital Assets

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

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Buildings and improvements	50 years
Vehicles and equipment	10 years

Deferred Outflows and Inflows of Resources

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

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

Fund Financial Statements

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

Restricted and Unrestricted Resources

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

Fund Balance and Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

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

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

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

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

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

Interfund Transactions

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

Program Revenues

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

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

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

Property Taxes

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments, and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5.0% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent, and penalties are assessed.

Accounts Payable

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

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Accrued Expenses

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

Pensions

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

NOTE 2 – CASH AND CASH EQUIVALENTS

In accordance with North Dakota statutes, the School 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, 2023, the School District's carrying amount of deposits was \$2,128,252 and the bank balances were \$1,990,274. Of the bank balance, \$308,011 was covered by Federal Depository Insurance. The remaining balance of \$1,682,263 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Credit Risk

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

NOTE 3 – TAXES RECEIVABLE

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

Property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5.0% 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.

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ending June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 25,450	\$ -	\$ -	\$ 25,450
Total capital assets not being depreciated	<u>25,450</u>	<u>-</u>	<u>-</u>	<u>25,450</u>
Capital assets, being depreciated				
Buildings	2,198,865	11,491	-	2,210,356
Vehicles	756,550	168,725	36,600	888,675
Equipment	<u>112,772</u>	<u>26,350</u>	<u>30,753</u>	<u>108,369</u>
Total capital assets, being depreciated	<u>3,068,187</u>	<u>206,566</u>	<u>67,353</u>	<u>3,207,400</u>
Less accumulated depreciation for				
Buildings	1,749,312	28,643	-	1,777,955
Vehicles	571,797	45,640	36,600	580,837
Equipment	<u>99,811</u>	<u>3,838</u>	<u>30,753</u>	<u>72,896</u>
Total accumulated depreciation	<u>2,420,920</u>	<u>78,121</u>	<u>67,353</u>	<u>2,431,688</u>
Capital assets, net	\$ <u>672,717</u>	\$ <u>128,445</u>	\$ <u>-</u>	\$ <u>801,162</u>

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

Depreciation Expenses

Regular instruction	\$ 24,756
Operations and maintenance	7,725
Vehicles	<u>45,640</u>
	\$ <u>78,121</u>

NOTE 5 – 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.

(Continued)

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 6.0% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.0% 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 8.0% 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 2.0% 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.

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 8.0% 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 2.0% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6.0% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

At June 30, 2023, the School District reported a liability of \$1,617,094 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2022, the School District's proportion was 0.11106008 percent, which was a decrease of .00499426 from its proportion measured as of July 1, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$14,947. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,969	\$ 43,176
Changes of assumptions	32,882	-
Net difference between projected and actual earnings on pension plan investments	121,123	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,026	299,934
Employer contributions subsequent to the measurement date	<u>104,999</u>	<u>-</u>
	\$ <u>269,999</u>	\$ <u>343,110</u>

\$104,999 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

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:

2023	\$ (51,163)
2024	(47,636)
2025	(53,285)
2026	58,804
2027	(37,573)
Thereafter	(47,257)

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Actuarial Assumptions

The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2022, funding actuarial valuation for TFFR.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equities	55%	6.61%
Global fixed income	26%	0.35%
Global real assets	18%	4.60%
Cash equivalents	1%	-1.05%

(Continued)

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2022. 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, 2022, 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, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. 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, 2022.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of net pension liability	\$ <u>2,221,738</u>	\$ <u>1,617,094</u>	\$ <u>1,115,617</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Annual Comprehensive Financial Report (ACFR) is located at <https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2022.pdf>.

NOTE 6 – RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$101,460 for public asset coverage.

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

The School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The School 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 School District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

MADDOCK PUBLIC SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

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

Schedule of Employer's Share of Net Pension Liability

<u>Pension Plan</u>	<u>Measurement 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	6/30/2022	0.111060%	\$ 1,617,094	\$ 873,946	185.03%	12.8%
ND TFFR	6/30/2021	0.116054%	\$ 1,222,813	\$ 894,430	136.71%	75.7%
ND TFFR	6/30/2020	0.132370%	\$ 2,025,931	\$ 965,853	209.76%	63.4%
ND TFFR	6/30/2019	0.135006%	\$ 1,859,375	\$ 947,106	196.32%	65.5%
ND TFFR	6/30/2018	0.134282%	\$ 1,789,787	\$ 912,861	196.06%	65.5%
ND TFFR	6/30/2017	0.142770%	\$ 1,960,988	\$ 963,659	203.49%	63.2%
ND TFFR	6/30/2016	0.151350%	\$ 2,217,368	\$ 983,360	225.49%	59.2%
ND TFFR	6/30/2015	0.157912%	\$ 2,065,260	\$ 971,323	212.62%	62.1%
ND TFFR	6/30/2014	0.158056%	\$ 1,656,147	\$ 916,807	180.64%	66.6%

* Complete data for this schedule is not available prior to 2014.

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS**

Schedule of Employer's Contributions						
Pension Plan	Measurement Date	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
ND TFFR	6/30/2022	\$ 111,428	\$ (111,428)	\$ -	\$ 873,946	12.75%
ND TFFR	6/30/2021	\$ 114,152	\$ (114,152)	\$ -	\$ 879,590	12.98%
ND TFFR	6/30/2020	\$ 114,044	\$ (114,044)	\$ -	\$ 894,460	12.75%
ND TFFR	6/30/2019	\$ 123,146	\$ (123,146)	\$ -	\$ 965,853	12.75%
ND TFFR	6/30/2018	\$ 120,756	\$ (120,756)	\$ -	\$ 947,106	12.75%
ND TFFR	6/30/2017	\$ 116,390	\$ (116,390)	\$ -	\$ 912,861	12.75%
ND TFFR	6/30/2016	\$ 122,867	\$ (122,867)	\$ -	\$ 963,659	12.75%
ND TFFR	6/30/2015	\$ 125,378	\$ (125,378)	\$ -	\$ 983,360	12.75%
ND TFFR	6/30/2014	\$ 123,838	\$ (123,838)	\$ -	\$ 971,323	12.75%
ND TFFR	6/30/2013	\$ 98,556	\$ (98,556)	\$ -	\$ 916,807	10.75%

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

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local sources	\$ 1,033,184	\$ 1,033,184	\$ 1,027,861	\$ (5,323)
State sources	1,506,977	1,476,977	1,484,354	7,377
Federal sources	101,973	111,973	363,935	251,962
Other sources	<u>24,200</u>	<u>56,548</u>	<u>46,072</u>	<u>(10,476)</u>
Total revenues	<u>2,666,334</u>	<u>2,678,682</u>	<u>2,922,222</u>	<u>243,540</u>
EXPENDITURES				
Current				
Regular instruction	850,148	850,148	1,071,976	221,828
Federal programs	125,033	158,837	124,048	(34,789)
District wide services	196,241	196,241	149,476	(46,765)
Special education	228,437	228,437	176,047	(52,390)
Administration services	347,085	347,085	356,055	8,970
Vocational education	99,250	99,250	100,901	1,651
Operations and maintenance	355,029	355,029	293,235	(61,794)
Student activities	81,536	81,536	74,781	(6,755)
Student transportation	197,561	197,561	262,980	65,419
Food service	-	-	14,321	14,321
Community service	<u>41,896</u>	<u>41,896</u>	<u>40,710</u>	<u>(1,186)</u>
Total expenditures	<u>2,522,216</u>	<u>2,556,020</u>	<u>2,664,530</u>	<u>108,510</u>
Excess (deficiency) of revenues over expenditures	<u>144,118</u>	<u>122,662</u>	<u>257,692</u>	<u>135,030</u>
FUND BALANCE, JULY 1	<u>1,151,837</u>	<u>1,151,837</u>	<u>1,151,837</u>	<u>-</u>
FUND BALANCE, JUNE 30	\$ <u><u>1,295,955</u></u>	\$ <u><u>1,274,499</u></u>	\$ <u><u>1,409,529</u></u>	\$ <u><u>135,030</u></u>

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

Expenditures exceeded budget in the following fund for the year ended June 30, 2023:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund	\$ 2,556,020	\$ 2,664,530	\$ (108,510)

The general fund budget was amended as follows for the year ended June 30, 2023:

	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>
REVENUES			
Total revenues	\$ 2,666,334	\$ 12,348	\$ 2,678,682
EXPENDITURES			
Total expenditures	\$ 2,522,216	\$ 33,804	\$ 2,556,020

North Dakota Teacher's Fund for Retirement Changes of Assumptions

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

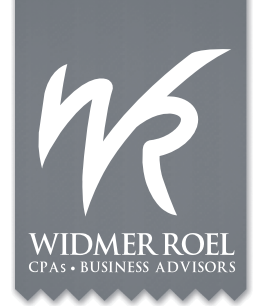
- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality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

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Maddock Public School District No. 9** (“School District”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise **Maddock Public School District No. 9’s** basic financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Maddock Public School District No. 9’s** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Maddock Public School District No. 9’s** internal control. Accordingly, we do not express an opinion on the effectiveness of **Maddock Public School District No. 9’s** internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Maddock Public School District No. 9's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Government Auditing Standards requires the auditor to perform limited procedures on the **Maddock Public School District No. 9's** response to the findings identified in our audit and described in the accompanying schedule of findings and responses. **Maddock Public School District No. 9's** response was not subjected to the other 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.

A handwritten signature in black ink, appearing to read "Widmer Poel" followed by a stylized flourish or initial.

Fargo, North Dakota

March 26, 2024

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 (MATERIAL WEAKNESS) – GAAP FINANCIAL STATEMENT PREPARATION

Condition

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

Criteria

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

2023-002 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES

Condition

The School District has a lack of segregation of duties in certain areas due to a limited number of staff. Specifically, the business manager role is responsible for numerous functions related to financial reporting, one of these functions includes performing the check run, the business manager has access to the board president and superintendent's digital signature.

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

Effect

Inadequate segregation of duties could adversely affect the School 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.
- Digital signatures should be separately under the control of the superintendent and the business manager or separate from the individual performing the check run.
- Periodic review of savings/CD statements and review of completed bank reconciliations.
- Periodic review of School District policies, including consideration of whether School 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 will do what management can to follow all recommendations from Widmer Roel. Due to lack of staff, business manager will meet periodically with superintendent to implement controls and procedures.

MADDOCK PUBLIC SCHOOL DISTRICT NO. 9

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2023

2022-003 (MATERIAL WEAKNESS) – BANK RECONCILIATION

Condition

The School District has an accumulation of 1 stale check and 9 stale automatic payments (more than 2 years old totaling \$6,314).

Additionally, incoming deposits normally clear within a couple of days. The School District has over 60 outstanding deposits and adjusting entries that are over 8 months on the year end reconciliation. The purpose of bank reconciliation is to ensure accurate and timely recording of transactions. Outstanding bank items should be promptly recorded to maintain their relevance and value to management.

Criteria

According to “Standards for Internal Control in the Federal Government, principle 10, management should design control activities to achieve objectives and respond to risk (GAO-14-704G). To prevent material misstatements in the School District’s financial statements, whether due to errors or fraud, the School District’s financial statements should be reconciled between the bank statement balances and the financial statement balances. Any unusual reconciling items should be promptly investigated and cleared.

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

Cause

The School District’s management was unaware how to address and resolve some recurring transactions which, due to the way they were entered, resulted in reconciling items in the bank reconciliations.

Effect

Failure to properly reconcile bank accounts can increase the risk that material misstatements in the financial statements could occur and go undetected for an extended period of time. Failure to resolve stale checks could result in violation of state Unclaimed Property laws.

Recommendation

We recommend management promptly complete bank reconciliations, timely review unusual reconciling cash items as they arise and take any necessary steps to resolve improper reconciling items. We further recommend management review checks beyond two years, and if efforts to contact the intended recipient are unsuccessful, remit such amounts to North Dakota Unclaimed Property.

Views of Responsible Officials

Management will follow and keep up with recommendations on stale checks for unclaimed property.