

**CARRINGTON PUBLIC SCHOOL
DISTRICT NO. 49
Carrington, North Dakota**

***REPORT ON FINANCIAL STATEMENTS
(with supplementary information)
Year Ended June 30, 2018***

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
CONTENTS
Year Ended June 30, 2018

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Position – Fiduciary Funds	15
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	16
Notes to Financial Statements	17 - 41
Required Supplementary Information	
Budgetary Comparison Schedules	
Budget and Actual (with Variances) - General Fund	42
Notes to Required Supplementary Information	43
Schedule of School District's Share of Net Pension Liability – NDPERS	44
Schedule of School District Contributions - NDPERS	44
Notes to Required Supplementary Information – NDPERS	44
Schedule of School District's Share of Net OPEB Liability - NDPERS	45
Schedule of School District OPEB Contributions - NDPERS	45

Notes to Required Supplementary Information – OPEB - NDPERS	45
Schedule of School District's Share of Net Pension Liability – NDTFFR	46
Schedule of School District Contributions - NDTFFR	46
Notes to Required Supplementary Information - NDTFFR	46
Other Supplementary Information	
School District Officials	47
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49
Schedule of Findings	50



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INDEPENDENT AUDITORS' REPORT

School Board
CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, Carrington, North Dakota as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT – continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, Carrington, North Dakota, as of June 30, 2018 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2019, on our consideration of the **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'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 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 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 **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** internal control over financial reporting and compliance



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
February 10, 2019

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

The Management's Discussion and Analysis (MD&A) section of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** (known as the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2017-2018 are as follows:

- Net position of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** increased \$533,115 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$2,515,643.
- Total revenues from all sources were \$8,248,119.
- Total expenditures were \$7,715,004.
- The District's general fund had \$6,424,790 in total revenues and \$6,474,106 in total expenditures. Overall, the general fund balance decreased by \$70,629 for the year ended June 30, 2018.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

REPORTING ON THE DISTRICT AS A WHOLE

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

These statements are summaries of all funds used by the **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2018?"

The Statement of Net Position presents information on all the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presenting amounts using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, earned but unused sick leave and vacation leave).

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of buildings and grounds, student transportation and co-curricular activities.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

BALANCE SHEET – GOVERNMENTAL FUNDS

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. The general fund is considered a major fund using the criteria established by GASB Statement No. 34.

The District's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds" which in this case is the school lunch fund, the debt service fund and the capital projects fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I provides a summary of the District's net position as of June 30, 2018 and 2017.

As indicated in the financial highlights above, the District's net position increased by \$533,115 for the year ended June 30, 2018 and increased by \$917,562 for the year ended June 30, 2017. Changes in net position may serve over time as a useful indicator of the District's financial condition.

The District's net position of \$2,515,643 is segregated into three separate categories. Net investment in capital assets is 175% of total net position. Restricted net position represents 179% of the District's total net position. It should be noted that these assets are not available for future spending.

Table I
NET POSITION
June 30,

ASSETS	2018	2017
Current assets	\$ 7,606,626	\$ 7,690,646
Capital assets (net of depreciation)	18,365,789	8,172,318
Deferred outflows of resources	1,295,839	1,704,755
Total Assets and Deferred Outflows of Resources	27,268,254	17,567,719

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities	1,813,420	1,309,871
Long-term liabilities	<u>22,454,187</u>	<u>14,063,420</u>
Total Liabilities	<u>24,267,607</u>	<u>15,373,291</u>
 Deferred Inflows of Resources	 <u>485,004</u>	 <u>179,092</u>
 NET POSITION		
Net investment in capital assets	4,400,876	4,340,182
Restricted	4,498,882	4,480,690
Unrestricted	<u>(6,384,115)</u>	<u>(6,805,536)</u>
Total Net Position	<u>2,515,643</u>	<u>2,015,336</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$27,268,254</u>	 <u>\$ 17,567,719</u>

Table II shows the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Table II
CHANGES IN NET POSITION
Years ended June 30,
2018

	<u>2018</u>		<u>2017</u>
REVENUES			
Program revenues			
Charges for services	\$ 242,278	2.94%	\$ 260,729 3.16%
Operating grants and contributions	627,527	7.60	598,707 7.25
General revenues			
Property taxes	3,476,050	42.14	3,329,045 40.32
State aid – unrestricted	3,800,898	46.08	4,023,504 48.73
Other	<u>101,366</u>	<u>1.24</u>	<u>45,125 .54</u>
Total Revenues	<u>8,248,119</u>	<u>100.00%</u>	<u>8,257,110 100.00%</u>
 EXPENSES			
Regular instruction	3,843,518	49.82%	3,877,403 52.83%
Federal programs	228,913	2.97	267,389 3.64
Special education	688,631	8.92	594,925 8.11
Vocational education	297,709	3.86	283,040 3.86
Instructional support services	208,699	2.70	199,057 2.71
Administrative services	372,815	4.83	345,294 4.70
Operation and maintenance of plant	627,902	8.14	612,596 8.35
Student transportation	467,306	6.06	419,463 5.72
Extracurricular activities	285,346	3.70	302,654 4.12
Food service	327,686	4.25	331,267 4.51

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

	2018		2017	
Interest on long-term debt	366,479	4.75	106,460	1.45
Total Expenses	7,715,004	100.00%	7,339,548	100.00%
Change in Net Position	533,115		917,562	
Beginning Net Position	2,015,336		1,097,774	
Prior Period Correction	(32,808)			
Ending Net Position	<u>\$ 2,515,643</u>		<u>\$2,015,336</u>	

Property taxes constituted 42%, unrestricted state aid 46%, operating grants and contributions 7% and charges for services 3% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2018. Property taxes constituted 40%, unrestricted state aid 49%, operating grants and contributions 7% and charges for services 3% of the total revenues of governmental activities of the District for fiscal year ended June 30, 2017.

Regular instruction constituted 50%, vocational education 4%, and special education 9% of total expenditures for governmental activities for fiscal year ended June 30, 2018. Regular instruction constituted 53%, vocational education 4% and special education 8% of total expenditures for governmental activities for fiscal year ended June 30, 2017.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenues and other unrestricted revenues.

Table III
TOTAL AND NET COST OF SERVICES

	Total Cost For Year Ended June 30, 2018	Net Cost For Year Ended June 30, 2018	Total Cost For Year Ended June 30, 2017	Net Cost For Year Ended June 30, 2017
Regular instruction	\$ 3,843,518	\$ 3,819,044	\$ 3,877,403	\$ 3,844,797
Federal programs	228,913	82,710	267,389	101,747
Special education	688,631	688,631	594,925	594,925
Vocational education	297,709	148,113	283,040	121,097
Instructional support services	208,699	208,699	199,057	199,057
Administrative services	372,815	372,815	345,294	345,294
Operation and maintenance of plant	627,902	602,902	612,596	604,796
Student transportation	467,306	305,600	419,463	246,818
Extracurricular activities	285,346	274,171	302,654	291,649
Food service	327,686	19,678	331,267	23,472
Interest on long-term debt	366,479	322,836	106,460	106,460
	<u>\$ 7,715,004</u>	<u>\$ 6,845,199</u>	<u>\$ 7,339,548</u>	<u>\$ 6,480,112</u>

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's resources available for spending as of the end of the fiscal year. Those funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$8,188,686 and expenditures of \$17,944,071 for the year ended June 30, 2018. As of June 30, 2018 the total unassigned fund balance of all District governmental funds was \$2,124,725. The District's governmental funds had total revenues of \$8,237,924 and expenditures of \$9,968,367 for the year ended June 30, 2017. As of June 30, 2017, the total unassigned fund balance for all District governmental funds was \$2,195,354.

GENERAL FUND BUDGET HIGHLIGHTS

Actual revenue for the year ended June 30, 2018 was \$108,854 less than budgeted. This was mainly due to less taxes than was budgeted. Actual revenue for the year ended June 30, 2017 was \$29,252 more than budgeted. This was mainly due to less foundation aid and more taxes received than budgeted.

Actual expenditures for the year ending June 30, 2018 were \$101,485 less than budgeted. This was mainly due in part to less spent in operation and maintenance than budgeted and more spent in special education during the year. Actual expenditures for the year ending June 30, 2017 were \$5,274 less than budgeted. This was mainly due in part to more spent in operations and maintenance than budgeted and less spent in special education during the year.

CAPITAL ASSETS

As of June 30, 2018, **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** had \$18,365,789 invested in capital assets. Table IV shows the balances as of June 30, 2018 and 2017.

Table IV
CAPITAL ASSETS (net accumulated depreciation)

	2018	2017
Land	\$ 43,598	\$ 43,598
Construction in progress	13,097,537	2,679,374
Buildings	3,712,687	3,766,731
Equipment	487,687	572,365
Vehicles	1,024,280	1,110,250
Total Capital Assets (Net of Depreciation)	<u>\$ 18,365,789</u>	<u>\$ 8,172,318</u>

This total represents an increase of \$10,193,471 in capital assets from July 1, 2017. For a detailed breakdown of additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements that follow this analysis.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
MANAGEMENT DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

DEBT ADMINISTRATION

At June 30, 2018, the District had \$16,726,563 of outstanding long-term debt consisting of bonds and compensated absences. For more detailed information on the District's debt, please refer to Note 8 of the basic financial statements.

FOR THE FUTURE

The future for the Carrington School District looks outstanding with the school district continuing with projects and programs to make the school experience even better for our students.

The school district recently completed construction of a new elementary school and gymnasium attached to the existing high school. The new facility was completed in August of 2018. The Carrington School District now has a K-12 facility located on one campus.

The new facility will help the school district with efficiencies in the future with the sharing of personnel within one facility which wasn't possible in the past with two separate buildings.

The school district continues to focus on technology improvements. The plan is to continue the technology improvement into future school years with our 1 to 1 mobile device initiative that has given every student his or her own iPad or MacBook computer.

The district continues to have concerns with the state foundation aid funding formula which is heavily weighted on student enrollment, due to the fact the school district is experiencing declining enrollment. The declining enrollment and the increase in salary and benefits has created projected deficit budget for the 2018-2019 school year and for future years. It is important that the school district develop a strategic plan to address the projected deficit budgets.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our parents, taxpayers and creditors with a general overview of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in Carrington Public Schools. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact the Business Manager of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, 100 3rd Avenue South, Carrington, ND 58421; phone 701-652-3136, fax 701-652-1243.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,898,754
Certificates of deposit over three months	1,500,000
Taxes receivable	170,008
Receivable from other governmentals	33,557
Inventories	4,307
Capital Assets	
Land	43,598
Construction in progress	13,097,537
Buildings	5,829,288
Equipment	1,326,842
Vehicles	1,412,869
Less: accumulated depreciation	(3,344,345)
Total Capital Assets	<u>18,365,789</u>
Total Assets	<u>25,972,415</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions - TFFR	939,128
Deferred outflows of resources related to pensions - PERS	347,754
Deferred outflows of resources related to OPEB	8,957
Total Deferred Outflows of Resources	<u>1,295,839</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 27,268,254</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 832,913
Due within one year	
Bonds	880,629
Interest payable	99,878
Due in more than one year	
Bonds	15,723,791
Compensated absences	122,143
Net Pension Obligation - TFFR	5,871,735
Net Pension Obligation - PERS	703,833
Net OPEB liability	32,685
Total Liabilities	<u>24,267,607</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions - TFFR	426,444
Deferred inflows of resources related to pensions - PERS	56,515
Deferred inflows of resources related to OPEB	2,045
Total Deferred Inflows of Resources	<u>485,004</u>
NET POSITION	
Net investment in capital assets	4,400,876
Restricted for:	
Debt service	1,937,012
Capital projects	2,561,870
Unrestricted	(6,384,115)
Total Net Position	<u>2,515,643</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u><u>\$ 27,268,254</u></u>

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
Statement of Activities
Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction				
Regular	\$ 3,843,518	\$ 24,474	\$	\$ (3,819,044)
Federal	228,913		146,203	(82,710)
Special education	688,631			(688,631)
Vocational education	297,709	29,532	120,064	(148,113)
Support services				
Instructional support services	208,699			(208,699)
Administration services	372,815			(372,815)
Operation and maintenance of plant	627,902		25,000	(602,902)
Student transportation	467,306		161,706	(305,600)
Extracurricular activities	285,346	11,175		(274,171)
Food service	327,686	177,097	130,911	(19,678)
Interest on long-term debt	366,479		43,643	(322,836)
Total governmental activities	\$ 7,715,004	\$ 242,278	\$ 627,527	(6,845,199)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,081,250
Property taxes, levied for specific purposes				1,394,800
State aid not restricted to specific programs				3,800,898
Unrestricted investment earnings				36,833
Miscellaneous				64,533
Total general revenues and special items				7,378,314
Change in net position				533,115
Net position:				
Beginning of year				2,015,336
Restatement due to implementation of GASB 75				(32,808)
Beginning of the year, as restated				1,982,528
Net position - ending				\$ 2,515,643

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Balance Sheet
Carrington, North Dakota
Governmental Funds
June 30, 2018

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and cash equivalents	\$ 1,568,669	\$ 2,405,105	\$ 1,872,845	\$ 52,136	\$ 5,898,755
Certificates of deposit over three months	500,000	1,000,000			1,500,000
Taxes receivable, net	98,856	6,985	64,167		170,008
Receivable from other governments	33,557				33,557
Other receivables					
Due from other funds	116,880				116,880
Inventories				4,307	4,307
Total assets and deferred outflows of resources	\$ 2,317,962	\$ 3,412,090	\$ 1,937,012	\$ 56,443	\$ 7,723,507
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	\$ 733,339	\$	\$ 79	\$ 733,418
Accrued contracts and benefits					99,494
Due to other funds	99,494	116,880			116,880
Total liabilities	99,494	850,219		79	949,792
Deferred inflows of resources:					
Unavailable revenue	93,743	6,619	61,314		161,676
Fund balances:					
Nonspendable				4,307	4,307
Assigned				52,057	52,057
Restricted		2,555,252	1,875,698		4,430,950
Unassigned	2,124,725				2,124,725
Total fund balances	2,124,725	2,555,252	1,875,698	56,364	6,612,039
Total liabilities, deferred inflows of resources and fund balances	\$ 2,317,962	\$ 3,412,090	\$ 1,937,012	\$ 56,443	\$ 7,723,507

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

Total fund balance, governmental funds	\$ 6,612,039
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	18,365,789
Certain revenues are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	161,674
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:	
Net OPEB liability	(32,685)
Deferred outflows of resources	8,957
Deferred inflows of resources	(2,045)
Net PERS pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:	
Net pension liability - PERS	(703,833)
Deferred outflows of resources - PERS	347,754
Deferred inflows of resources - PERS	(56,515)
Net TFFR pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:	
Net pension liability - TFFR	(5,871,735)
Deferred outflows of resources - TFFR	939,128
Deferred inflows of resources - TFFR	(426,444)
Some liabilities, (such as Bonds Payable and Compensated Absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(16,826,440)
Net Assets of Governmental Activities in the Statement of Net Position.	<u>\$ 2,515,643</u>

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local aid	\$ 2,181,889	\$ 128,009	\$ 1,227,222	\$ 177,097	\$ 3,714,217
State aid	4,082,669			2,835	4,085,504
Federal aid	146,203			128,077	274,280
Investment earnings	4,820	32,003	4	6	36,833
Miscellaneous	9,209	25,000	43,643		77,852
Total revenues	6,424,790	185,012	1,270,869	308,015	8,188,686
EXPENDITURES					
Current					
Instruction					
Regular	3,465,082				3,465,082
Federal	234,617				234,617
Special education	688,269				688,269
Vocational education	293,311				293,311
Support Services					
Instructional support services	198,995				198,995
Administration services	360,776				360,776
Operation and maintenance of plant	562,297				562,297
Student transportation	378,852				378,852
Extracurricular activities	271,793				271,793
Food Service				327,686	327,686
Debt Service					
Principal			359,026		359,026
Interest and other charges			233,766		247,766
Capital Outlay	20,114	14,000			34,114
		10,535,487			10,555,601
Total Expenditures	6,474,106	10,549,487	592,792	327,686	17,944,071
Excess (deficiency) of revenues over expenditures	(49,316)	(10,364,475)	678,077	(19,671)	(9,755,385)
OTHER FINANCING SOURCES					
Bond proceeds					
Transfer in		9,729,864		21,313	9,729,864
Transfer out	(21,313)				(21,313)
	(21,313)	9,729,864		21,313	9,729,864
	(70,629)	(634,611)	678,077	1,642	(25,521)
Net change in fund balances	2,195,354	3,189,863	1,197,621	54,722	6,637,560
Fund balances - beginning	\$ 2,124,725	\$ 2,555,252	\$ 1,875,698	\$ 56,364	\$ 6,612,039
Fund balances - ending					

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balances - total governmental funds: \$ (25,521)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which net capital outlays of \$10,504,538 exceeded depreciation of \$311,067 in the current period. 10,193,471

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 59,434

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long term liabilities. This is the amount by which proceeds exceeded repayments. (9,371,377)

Bond premium and bond discounts are not recognized in the governmental funds but are adjustments to interest expense in the Statement of Activities (538)

Some expenses such as accrued interest reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (118,263)

Some expenses such as compensated absences reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. (9,243)

Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension and opeb expense (194,850)

Change in net assets of governmental activities \$ 533,113

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 116	\$ 233,385
Certificates of deposit over three months	652,927	
Total Assets	<u>653,043</u>	<u>233,385</u>
LIABILITIES		
Refunds payable and others		233,385
Total Liabilities		<u>\$ 233,385</u>
NET POSITION		
Reserved for scholarships	653,043	
Total Net Position	<u>\$ 653,043</u>	

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2018

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Investment earnings:	
Interest	<u>\$ 5,353</u>
Total additions	<u> 5,353</u>
DEDUCTIONS	
Transfers out	<u> 4,711</u>
Total deductions	<u> 4,711</u>
Change in net position	642
Net position - beginning	<u> 652,401</u>
Net position - ending	<u><u>\$ 653,043</u></u>

The accompanying notes are an integral part of these financial statements

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

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

A. Description of the School District

The **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** is organized under the laws of the State of North Dakota. It provides a system of free public schools for all children of legal age residing within the district. It is governed by an elected five-member school board and operates grades K through 12.

B. Reporting Entity

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. No component units of the District have been excluded from this report.

C. Basis of Presentation

District –Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. The District does not report any business-type activities.

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. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues included 1) charges to customers 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 function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

C. Basis of Presentation – continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
3. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are utilized to account for most of the District's governmental functions. The District's major governmental funds are as follows:

General Fund

The General Fund is the operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds (not included in district-wide statements)

Private-purpose Trust Funds

Private-purpose Trust Funds are used to account for resources legally held in trust for student scholarships.

Agency Funds

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, and /or other governmental units.

Major Funds

The District reports the following major governmental funds:

- General fund
- Capital projects fund
- Debt service fund

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

C. Basis of Presentation - continued

Non-Major Funds

The District reports the following non-major fund:

- Special Revenue Funds
- School Lunch Fund

Fiduciary Funds

The District reports the following fiduciary funds:

- Private-purpose Trust Funds
- Scholarship Fund
- Agency Funds
- Student Activity Fund

D. Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental funds and agency funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest not matured on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property tax revenues in the governmental funds are recorded when it becomes available.

Property taxes are levied and certified no later than October 10 and property taxes attach as an enforceable lien on property as of January 1 and are due and payable at that time. The first installment of taxes becomes delinquent March 1 and the second installment on October 15. The taxes are collected by the County Treasurer and remitted to the District on a monthly basis.

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

NOTES TO FINANCIAL STATEMENTS - continued

Year Ended June 30, 2018

D. Basis of Accounting - continued

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the district has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

E. Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

Liabilities for claims, judgments, compensated absences and pension contributions that will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

F. Estimates

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

G. Deposits and Investments

The District maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 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 instrumentality's, all bonds and notes guaranteed by the United States government, Federal Land Bank

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

G. Deposits and Investments - continued

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 body, and bonds issued by any other state of the United States or such other securities approved by the banking board.

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

Credit risk - North Dakota state statute authorizes school district to invest their surplus funds in:

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

The District has no investments other than fully insured and collateralized demand and time deposits.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, the District's deposits are fully insured or collateralized with securities held by the financial institutions in the District's name. (See note 2)

H. Cash Flow Information

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

I. Inventories

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting and consist of food, commodities and other supplies.

J. Capital Assets

Government-Wide Statements

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

J. Capital Assets – continued

assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of \$5,000. Donated capital assets are recorded at their fair market value at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings	60 - 75 years
Equipment	5 - 20 years
Vehicles	10 - 20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

K. Long Term Obligations

The accounting treatment of long term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of compensated absences, bonds and pension and benefit related liabilities.

Long term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources. The payment of principal and interest are reported as expenditures.

L. Compensated Absences

The District allows employees to accumulated unused sick leave. Earned vacation time is generally required to be used in the year earned. Upon termination, payment shall be made at the rate of 25% of the accumulated days based on the current salary level. The amount to be paid from current resources is not significant.

M. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, or other

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

M. Equity Classifications - continued

borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

2. Restricted net position – Consists of net positions with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, b) law through constitutional provisions or enabling legislation. The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.
3. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable – consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the School Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the School Board.

Assigned – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing board itself or by an official to which the governing body delegates the authority.

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

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

N. Pensions

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

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 additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by NDPERS. 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.

O. 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 as 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.

2. Cash and Cash Equivalents

All of the collateral pledged falls under GASB Category 1 which is insured, either by the FDIC (Federal Deposit Insurance Corporation) or by the FSLIC (Federal Savings and Loan Insurance Corporation) or held by the District's agent in the District's name.

The following is a breakdown of deposits in the banks under custody of the District as of June 30, 2018.

	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental Activities		
Cash and cash equivalents	\$ 5,898,754	\$ 6,388,894
Certificates of deposit over three months	1,500,000	1,500,000
Private-purpose Trust Funds		
Cash and cash equivalents	116	116
Certificates of deposit over three months	652,927	652,927
Agency Funds		
Cash and cash equivalents	233,385	236,098
	<u>\$ 8,285,182</u>	<u>\$ 8,778,035</u>

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

3. Receivable from Other Governments

Due from other governments consists of the following as of June 30, 2018:

Federal	<u>\$ 33,557</u>
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4. Interfund Transfers

Transfers to/from other funds at June 30, 2018, consist of the following:

Transfer from general fund to school lunch to cover shortages	<u>\$ 21,313</u>
---	------------------

5. Interfund Receivables/Payables

A portion of the cash of the District is comingled into pooled cash. Interfund receivables and payables represent the balances owed between funds.

Due to general fund from capital projects fund	\$ (116,880)
Due from capital projects fund to general fund	116,880

6. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 43,598	\$	\$	\$ 43,598
Construction in progress	2,679,374	10,457,823	39,660	13,097,537
Total Capital Assets Not Being Depreciated	<u>2,722,972</u>	<u>10,457,823</u>	<u>39,660</u>	<u>13,141,135</u>
Capital Assets Being Depreciated				
Buildings	5,789,628	39,660		5,829,288
Equipment	1,280,127	46,715		1,326,842
Vehicles	1,412,869			1,412,869
Total Capital Assets Being Depreciated	<u>8,482,624</u>	<u>86,375</u>	<u></u>	<u>8,568,999</u>
Total Capital Assets	<u>11,205,596</u>	<u>10,544,198</u>	<u>39,660</u>	<u>21,710,134</u>
Less Accumulated Depreciation for:				
Buildings	2,022,897	93,704		2,116,601
Equipment	707,762	131,393		839,155
Vehicles	302,619	85,970		388,589
Total Accumulated Depreciation	<u>3,033,278</u>	<u>311,067</u>	<u></u>	<u>3,344,345</u>
Net Capital Assets	<u>\$8,172,318</u>	<u>\$ 10,233,131</u>	<u>\$ 39,660</u>	<u>\$18,365,789</u>

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

6. Capital Assets - continued

Depreciation expense was charged to functions as follows:

Instruction	\$ 184,095
Special education	362
Vocational education	4,398
Instructional support	9,299
Administration	323
Operation and maintenance	10,583
Student transportation	88,454
Extracurricular activities	13,553
	<u>\$ 311,067</u>

7. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District currently has deferred outflows of resources related to pensions and OPEB.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate 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 (revenues) until that time. The District currently has deferred inflows of resources related to pensions and OPEB. The District has unavailable revenue from a variety of sources in the governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Long Term Obligations

Long term liability activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
School building bonds, series 2012	\$ 715,000	\$	\$ 65,000	\$ 650,000	\$ 65,000
Issue costs	(13,724)		(1,497)	(12,227)	
State school construction loan	493,211		49,025	444,186	50,379
Issue costs	(15,588)		(1,748)	(13,840)	
GO school building bonds 16B	6,000,000		245,000	5,755,000	250,000
Premium	54,144		2,707	51,437	
State school construction loan		9,729,864		9,729,864	515,250
Net pension obligation – TFFR	6,682,731		810,996	5,871,735	
Net pension obligation – PERS	412,693	291,140		703,833	
Net OPEB liability		32,685		32,685	
Total	<u>14,328,467</u>	<u>10,053,689</u>	<u>1,169,483</u>	<u>23,212,673</u>	<u>880,629</u>

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

8. Long Term Obligations – continued

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Other Liabilities					
Vested compensated absences	112,900	9,243		122,143	
Total Long-Term Liabilities	<u>\$ 14,441,367</u>	<u>\$10,062,932</u>	<u>\$1,169,483</u>	<u>\$23,334,816</u>	<u>\$ 880,629</u>

Terms and maturity of long term debt are as follows:

\$970,000 general obligation school building bonds, series 2012, dated April 12, 2012, due in annual installments of \$60,000 to \$80,000 starting August 1, 2013 with interest due semi-annually at .6% to 2.5%.

\$952,915 state school construction loan, dated December 1, 2006, due in annual installments of \$62,638 including interest at 2.76% starting June 1, 2007 to June 1, 2026.

\$6,000,000 general obligation school building bonds, series 2016, dated August 1, 2016, due in annual principal payments of \$245,000 to \$370,000 plus interest ranging from 2% to 3% starting August 1, 2017 to August 1, 2036.

\$10,000,000 general obligation school construction loan, dated November 15, 2016, due annual principal payments and semi-annual installments of interest at 5% (Bank of North Dakota buy down to 2%) starting February 1, 2018 to August 1, 2036.

Debt service requirements to maturity on general obligation debt are as follows:

Year	Principal	Interest	Total
2019	\$ 880,629	\$ 338,829	\$ 1,219,458
2020	800,454	332,087	1,132,541
2021	817,474	315,949	1,133,423
2022	834,800	298,132	1,132,932
2023	857,437	279,769	1,137,206
2024-2028	4,559,619	1,119,651	5,679,270
2029-2033	4,419,318	658,886	5,078,204
2034-2037	3,679,455	169,853	3,849,308
Totals	<u>\$ 16,849,186</u>	<u>\$ 3,513,156</u>	<u>\$ 20,362,342</u>

9. North Dakota Teachers' Fund for Retirement

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

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

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

9. North Dakota Teachers' Fund for Retirement - continued

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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-

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

9. North Dakota Teachers' Fund for Retirement - continued

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 on medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. 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.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

9. North Dakota Teachers' Fund for Retirement - continued

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

At June 30, 2018, the District reported a liability of \$5,871,735 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 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 01, 2017, the District's proportion was .42749362 percent which was a decrease of .0286473 from its proportion measured as of July 1, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$510,344. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,522	\$ 64,098
Changes of assumptions	418,515	
Net difference between projected and actual earnings on pension plan investments	81,105	
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,268	362,346
District contributions subsequent to the measurement date	374,718	
Total	<u>\$ 939,128</u>	<u>\$ 426,444</u>

Deferred outflows of resources related to pensions in the amount of \$374,718 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year ended June 30:

2019	\$ 46,466
2020	173,683
2021	94,032
2022	(45,704)
2023	(73,982)
Thereafter	(56,527)

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

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

9. North Dakota Teachers' Fund for Retirement - continued

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, 2017, funding actuarial valuation for TFFR.

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by .25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.7%
Global Fixed Income	23%	.8%
Global Real Assets	18%	5.2%
Cash Equivalents	1%	0.0%

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members,

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

9. North Dakota Teachers' Fund for Retirement – continued

are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Employer's proportionate share of the net pension liability	\$ 7,806,576	\$ 5,871,735	\$ 4,261,038

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 Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov.rio/sib/publications/cafr/default.htm.

10. 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. Members 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.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

10. North Dakota Public Employees Retirement System (Main System) – continued

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.

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, lifetime 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

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

10. North Dakota Public Employees Retirement System (Main System) – continued

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

At June 30, 2018, the District reported a liability of \$703,833 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 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 Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2017, the District's proportion was .043789 percent which was an increase of .001444 from its proportion measured as of July 1, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$97,869. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,184	\$ 3,429
Changes of assumptions	288,619	15,875
Net difference between projected and actual earnings on pension plan investments	9,466	
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,315	37,211
District contributions subsequent to the measurement date	36,170	
Total	<u>\$ 347,754</u>	<u>\$ 56,515</u>

Deferred outflows of resources related to pensions in the amount of \$36,170 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year ended June 30:

2019	\$ 52,689
2020	65,678
2021	55,941
2022	50,583
2023	30,178

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

Inflation	3.50%
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CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

10. North Dakota Public Employees Retirement System (Main System) – continued

Salary increases	Service at beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36-40	7.50%
	41-49	6.00%
	50+	5.00%
	*age-based salary increase rates apply for employees with three or more years of service	
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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

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.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

10. North Dakota Public Employees Retirement System (Main System) – continued

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).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments was 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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 6.44 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%)
Employer's proportionate share of the net pension liability	\$ 955,475	\$ 703,833	\$ 494,477

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

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB)

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.

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.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB) - continued

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, 2018, The District reported a liability of \$32,685 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the District's proportion was .041320%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,938. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 797
Changes of assumptions	3,166	
Net difference between projected and actual earnings on OPEB plan investments		1,236

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB) - continued

Changes in proportion and differences between employer contributions and proportionate share of contributions			12
District contributions subsequent to the measurement date		5,791	
Total	\$	8,957	\$ 2,045

\$5,791 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year ended June 30:

2019	\$	60
2020		60
2021		60
2022		60
2023		369
2024		369
2025 and thereafter		143

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

Inflation	2.50%
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, 2017 are summarized in the following table:

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

11. North Dakota Public Employees Retirement System Other Post Employment Benefits (OPEB) - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate. The discount rate used to measure the total OPEB liability was 7.75%. 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, 2017, and July 1, 2016, 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.

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, 2017, calculated using the discount rate of 7.5%, 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 (8.5percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employer's proportionate share of the net pension liability	\$ 40,917	\$ 32,685	\$ 25,628

12. Risk Management

The District is exposed to various risks related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; health care of its employees and natural disasters. The District has purchased commercial insurance to cover any potential losses.

The District participates in the North Dakota Insurance Reserve Fund (NDRF) entity risk pool established by certain municipalities ("Members") to provide liability coverage. The District's payments to NDRF are displayed on the financial statements as expenditures/expenses in the appropriate funds. The purpose of the NDRF is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the Members and other parties included within the scope of coverage of the NDRF. The District does not exercise any control over the activities of the NDRF.

The District's risk for worker's compensation is covered by premiums paid to the North Dakota Workforce Safety & Insurance. The Bureau was created by the Legislature of the State of North Dakota.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

12. Risk Management - continued

The District's risk for property coverage is covered by premiums paid to the North Dakota State Fire and Tornado Fund. The Fund was established by the State of North Dakota to insure political subdivisions and certain other entities against loss to public buildings and permanent contents from damage caused by fire, tornadoes and other types of risks. There has been no major reduction in insurance coverage and settled claims from these risks have not exceeded commercial coverage for the past three years.

13. Lease Commitments

The District leased the armory under a three year lease up to June 30, 2018. The District also leases a building for one year, renewable annually. Two copiers were leased under a five year lease. The copier leases may renew automatically up to 4 subsequent 1 year terms unless written notice is given. Total lease expense for the year is \$38,925.

14. Contingencies

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2018.

15. Governmental Activities Net Position

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2018 include the following:

Governmental Activities

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 18,365,789
Less related long-term debt outstanding	(16,604,420)
Less related accounts payable, construction	(733,339)
Add back capital project funds not disbursed	3,372,846
Net investment in capital assets	<u>4,400,876</u>
Restricted	
Debt service	1,937,012
Capital projects	2,561,870
Total restricted	<u>4,498,882</u>
Unrestricted	<u>(6,384,115)</u>
Total Governmental Activities Net Position	<u>\$ 2,515,643</u>

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended June 30, 2018

16. Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2018, include the following:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Lunch</u>
Nonspendable Inventories	\$	\$	\$	\$ 4,307
Assigned School lunch				52,057
Restricted		2,555,252	1,875,698	
Unassigned	<u>2,124,725</u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$2,124,725</u>	<u>\$ 2,555,252</u>	<u>\$ 1,875,698</u>	<u>\$ 56,364</u>

17. Construction Commitments

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49 has entered into various contracts for the construction of a new elementary school. The estimated remaining balances owed on the contracts as of June 30, 2018 was \$2,176,104.

18. Restatement

The June 30, 2017 ending net position was restated by \$32,808. **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49** posted prior period adjustments in 2017 in order to comply with Governmental Accounting Standards Board (GASB) Statement 75 related to OPEB benefits. The adjustment recognized the initial balance of the net OPEB liability associated with the **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49's** participation in the NDPERS OPEB plan.

Net position, June 30, 2017, as previously reported	\$ 2,015,336
Restatement due to implementation of GASB 75, effect on net position	<u>(32,808)</u>
Net position, June 30, 2017, as restated	<u>\$ 1,982,528</u>

REQUIRED SUPPLEMENTARY INFORMATION

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

Budget and Actual (with Variances)

General Fund

Year ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 2,266,000	\$ 2,266,000	\$ 2,181,889	\$ (84,111)
State sources	4,093,177	4,093,177	4,082,669	(10,508)
Federal sources	139,217	139,217	146,203	6,986
Investment earnings	4,000	4,000	4,820	820
Miscellaneous	31,250	31,250	9,209	(22,041)
Total revenues	6,533,644	6,533,644	6,424,790	(108,854)
EXPENDITURES				
Instruction				
Regular	3,536,380	3,536,380	3,465,082	71,298
Federal	217,727	224,424	234,617	(10,193)
Special education	595,706	595,706	688,269	(92,563)
Vocational education	311,195	311,195	293,311	17,884
Support services				
Instructional support services	203,311	203,311	198,995	4,316
Administrative services	387,411	387,411	360,776	26,635
Operation and maintenance of plant	602,326	602,326	562,297	40,029
Student transportation	388,851	388,851	378,852	9,999
Extracurricular activities	284,385	284,385	271,793	12,592
Capital Outlay	41,602	41,602	20,114	21,488
Total Expenditures	6,568,894	6,575,591	6,474,106	101,485
OTHER FINANCING USES				
Transfer out	(14,750)	(14,750)	(21,313)	(6,563)
Net change in fund balances	(50,000)	(56,697)	(70,629)	(13,932)
Fund balances - beginning	2,195,354	2,195,354	2,195,354	
Fund balances - ending	\$ 2,145,354	\$ 2,138,657	\$ 2,124,725	\$ (13,932)

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
Notes to Required Supplementary Information
Budget and Actual (with Variances)
General Fund
Year Ended June 30, 2018

Note A - Budgets and Budgetary Accounting

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

1. The Business Manager, Superintendent, and a two-member finance committee prepare the District budget on the modified accrual basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund and the school lunch fund (special revenue).
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the county auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.043789%	0.042345%	0.046617%	0.050642%
Employer's proportionate share of the net pension liability	\$ 703,833	\$ 412,693	\$ 316,988	\$ 321,436
Employer's covered payroll	\$ 447,015	\$ 426,736	\$ 415,304	\$ 426,604
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015
Statutorily required contributions	\$ 32,414	\$ 30,895	\$ 31,545	\$ 34,304
Contributions in relation to the statutorily required contributions	\$ (32,364)	\$ (29,771)	\$ (29,570)	\$ (34,304)
Contribution deficiency (excess)	\$ 50	\$ 1,124	\$ 1,975	\$
Employer's covered-employee payroll	\$ 447,015	\$ 426,736	\$ 415,304	\$ 426,604
Contributions as a percentage of covered-employee payroll	7.24%	6.98%	7.12%	8.04%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
North Dakota Public Employees Retirement System (Main System)

Changes of assumptions. Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET OPEB LIABILITY
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>
Employer's proportion of the net OPEB liability	0.041320%
Employer's proportionate share of the net OPEB liability	\$ 32,685
Employer's covered- employee payroll	\$ 447,015
Employer's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

SCHEDULE OF SCHOOL DISTRICT'S OPEB CONTRIBUTIONS
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>
Statutorily required contributions	\$ 5,196
Contributions in relation to the statutorily required contributions	\$ (5,182)
Contribution deficiency (excess)	\$ 14
Employer's covered-employee payroll	\$ 447,015
Contributions as a percentage of covered-employee payroll	1.16%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
North Dakota Public Employees Retirement System (Main System)

Changes of assumptions. Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
SCHEDULE OF SCHOOL DISTRICT'S SHARE OF NET PENSION LIABILITY
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.427494%	0.456141%	0.463644%	0.457261%
Employer's proportionate share of the net pension liability	\$ 5,871,735	\$ 6,682,731	\$ 6,063,792	\$ 4,791,285
Employer's covered payroll	\$ 2,885,459	\$ 2,963,661	\$ 2,851,899	\$ 2,652,356
Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.20%	59.20%	62.10%	66.60%

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

SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

	2018	2017	2016	2015
Statutorily required contributions	\$ 374,718	\$ 377,867	\$ 363,599	\$ 285,126
Contributions in relation to the statutorily required contributions	\$ (374,718)	\$ (377,867)	\$ (363,599)	\$ (285,126)
Contribution deficiency (excess)	\$	\$	\$	\$
Employer's covered-employee payroll	\$ 2,938,966	\$ 2,963,661	\$ 2,851,899	\$ 2,652,356
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	12.75%	10.75%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
North Dakota Teachers' Fund for Retirement

Changes of assumptions. Amounts reported in 2016 and later reflect the following actuarial assumptions changes based on the results of

- 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.

OTHER SUPPLEMENTARY INFORMATION

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
SCHOOL DISTRICT OFFICIALS
June 30, 2018

Scott Fetch	President
Joel Lemer	1 st Vice-President
Bruce Bachmeier	2 nd Vice-President
Angela Kutz	Board Member
Kevin Wolsky	Board Member
Dr. Brian Duchscherer	Superintendent
Kimary Edland	Business Manager



Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA
Duane R. Dunn, CPA
Robert A. Piatz, CPA

**INDEPENDENT AUDITORS' 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

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49

Carrington, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'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 **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'S** internal control. Accordingly, we do not express an opinion on the effectiveness of **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we considered to be a significant deficiency. (2015-001)

INDEPENDENT AUDITORS' 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* - continued

Compliance and Other Matters

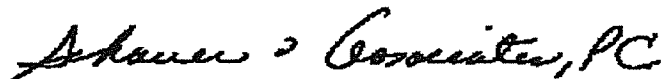
As part of obtaining reasonable assurance about whether **CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Carrington Public School District No. 49 Response to Finding

Carrington Public School District No. 49's response to the finding identified in our audit is described in the accompanying schedule of findings. Carrington Public School District No. 49'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.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, North Dakota
February 10, 2019

CARRINGTON PUBLIC SCHOOL DISTRICT NO. 49
Carrington, North Dakota
SCHEDULE OF FINDINGS
Year Ended June 30, 2018

Finding 2015-001 Significant Deficiency – Financial Statement Preparation

Condition

Schauer & Associates, P.C. assists the District's management in preparing financial statements that are presented, including note disclosures in accordance with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause

The District Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

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

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

View of Responsible Officials – concur