

**DICKINSON PUBLIC SCHOOL DISTRICT
DICKINSON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Dickinson Public School District
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Dickinson Public School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Dickinson Public School District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Dickinson Public School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Standard

As discussed in notes 2 and 16 to the financial statements, Dickinson Public School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are not modified with respect to this matter.

Correction of Errors

As described in note 16 to the financial statements, various prior period adjustments have been made to properly state opening balances. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the statement of revenues, expenditures and changes in fund balances - budget to actual - general fund, schedules of employer's proportionate share of net pension liability, schedules of employer contributions - pension, schedule of employer's share of net OPEB liability, schedule of employer contributions - OPEB, and notes to required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dickinson Public School District’s basic financial statements. The budgetary comparison schedules for the food service fund, debt service fund, and capital projects fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are not a required part of the basic financial statements.

The budgetary comparison schedules for the food service fund, debt service fund, building fund, and the schedule of expenditures and related notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules for the food service fund, debt service fund, building fund, and the schedule of expenditures and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019 on our consideration of Dickinson Public School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dickinson Public School District’s internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dickinson Public School District’s internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

January 28, 2019

DICKINSON PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current assets	
Cash	\$ 37,309,254
Grants receivable	986,273
Taxes receivable	1,826,767
Due from county treasurer	139,042
Interest receivable	66,185
Prepaid expenses	71,308
Inventory	<u>20,334</u>
Total current assets	<u>40,419,163</u>
Capital assets	
Non-depreciable	
Land	3,195,419
Construction in process	1,104,911
Depreciable, net of accumulated depreciation	
Buildings and improvements	82,484,146
Furniture and equipment	<u>2,099,297</u>
Total capital assets, net of depreciation	<u>88,883,773</u>
TOTAL ASSETS	<u>129,302,936</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	12,514,751
Deferred outflow - OPEB	<u>114,667</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>12,629,418</u>
LIABILITIES	
Current liabilities	
Accounts payable	1,058,605
Benefits payable	302,922
Incurred but not reported claims	302,000
Unearned revenue	1,225,234
Interest payable	732,316
Long-term liabilities due within one year	
Compensated absences payable	124,639
Bonds payable	<u>3,135,759</u>
Total current liabilities	<u>6,881,475</u>
Long-term liabilities	
Long-term liabilities due after one year	
Net pension liability	48,108,817
Net OPEB liability	408,703
Bonds payable	<u>63,501,283</u>
Total long-term liabilities	<u>112,018,803</u>
TOTAL LIABILITIES	<u>118,900,278</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	703,935
Deferred inflow - OPEB	<u>27,887</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>731,822</u>
NET POSITION	
Net investment in capital assets	22,114,947
Restricted:	
Capital projects	13,700,231
Debt service	5,969,250
Unrestricted	<u>(19,484,174)</u>
TOTAL NET POSITION	<u>\$ 22,300,254</u>

See Notes to the Financial Statements

**DICKINSON PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES					
Regular instruction	\$ 26,853,203	\$ -	\$ 996,824	\$ -	\$ (25,856,379)
Special education	7,382,838	110,286	1,120,487	-	(6,152,065)
Career and technical education	1,750,896	39,265	286,240	-	(1,425,391)
District wide services	3,873,076	20,146	-	-	(3,852,930)
School food services	1,597,178	848,043	718,851	-	(30,284)
Operations and maintenance	3,324,076	-	-	1,204,103	(2,119,973)
Transportation	1,514,291	80,990	310,618	-	(1,122,683)
Co-curricular activities	972,187	-	-	-	(972,187)
Community service programs	1,730,971	664,491	595,680	-	(470,800)
Depreciation - unallocated	2,139,338	-	-	-	(2,139,338)
Interest - unallocated	1,783,428	-	-	-	(1,783,428)
Bond service charges and costs	3,280	-	-	-	(3,280)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 52,924,762	\$ 1,763,221	\$ 4,028,700	\$ 1,204,103	(45,928,738)
GENERAL REVENUES					
Taxes					
					10,926,564
					1,606,222
					4,627,663
					29,491,248
					261,261
					105,344
TOTAL GENERAL REVENUES					47,018,302
Change in net position					1,089,564
Total net position, beginning of year, originally stated					22,184,617
GASB 75 implementation - see notes 2 and 16					(344,312)
Prior period adjustment - see note 16					(629,615)
Total net position, beginning of year, restated					21,210,690
Net position - ending					\$ 22,300,254

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Building Fund	Debt Service Fund	Food Service Fund	Total Governmental Funds
ASSETS					
Cash	\$ 14,824,394	\$ 14,500,863	\$ 6,172,691	\$ 166,074	\$ 35,664,022
Grants receivable	986,273	-	-	-	986,273
Taxes receivable	1,154,746	178,870	493,151	-	1,826,767
Due from county treasurer	90,400	12,918	35,724	-	139,042
Interest receivable	-	66,185	-	-	66,185
Inventory	-	-	-	20,334	20,334
TOTAL ASSETS	<u>\$ 17,055,813</u>	<u>\$ 14,758,836</u>	<u>\$ 6,701,566</u>	<u>\$ 186,408</u>	<u>\$ 38,702,623</u>
LIABILITIES					
Accounts payable	\$ -	\$ 1,058,605	\$ -	\$ -	\$ 1,058,605
Benefits payable	287,490	-	-	15,432	302,922
Unearned revenue	-	-	-	77,287	77,287
TOTAL LIABILITIES	<u>287,490</u>	<u>1,058,605</u>	<u>-</u>	<u>92,719</u>	<u>1,438,814</u>
DEFERRED INFLOWS OF RESOURCES					
Delinquent taxes	1,154,746	178,870	493,151	-	1,826,767
FUND BALANCES					
Nonspendable	-	-	-	20,334	20,334
Restricted	-	13,521,361	6,208,415	-	19,729,776
Assigned	-	-	-	73,355	73,355
Unassigned	15,613,577	-	-	-	15,613,577
TOTAL FUND BALANCES	<u>15,613,577</u>	<u>13,521,361</u>	<u>6,208,415</u>	<u>93,689</u>	<u>35,437,042</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 17,055,813</u>	<u>\$ 14,758,836</u>	<u>\$ 6,701,566</u>	<u>\$ 186,408</u>	<u>\$ 38,702,623</u>

See Notes to the Financial Statements

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

Total fund balances - governmental funds		\$ 35,437,042
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	104,085,019	
Less accumulated depreciation	<u>(15,201,246)</u>	
Net capital assets		88,883,773
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		
		1,826,767
Deferred outflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		12,629,418
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net position.		
Balances at June 30, 2018 are:		
Net pension liability	(48,108,817)	
Net OPEB liability	(408,703)	
Bonds payable	(66,637,042)	
Interest payable	(732,316)	
Compensated absences payable	<u>(124,639)</u>	
Total long-term liabilities		(116,011,517)
Deferred inflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and therefore are not reported in the governmental funds.		
		(731,822)
Internal service funds are used by the school to charge the costs of health insurance to departments. The assets and liabilities of internal service fund are included in the governmental activities in the statement of net position.		
		<u>266,593</u>
Total net position of governmental activities		<u>\$ 22,300,254</u>

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Debt Service Fund	Food Service Fund	Total Governmental Funds
REVENUES					
Local sources	\$ 11,814,377	\$ 1,793,114	\$ 4,537,557	\$ 848,043	\$ 18,993,091
State sources	30,395,584	1,204,103	-	10,082	31,609,769
Federal sources	2,446,543	-	-	708,769	3,155,312
TOTAL REVENUES	44,656,504	2,997,217	4,537,557	1,566,894	53,758,172
EXPENDITURES					
Current:					
Regular instruction	25,946,102	-	-	-	25,946,102
Special education	7,540,371	-	-	-	7,540,371
Career and technical education	1,788,752	-	-	-	1,788,752
District wide services	2,987,354	-	-	-	2,987,354
School food services	-	-	-	1,615,818	1,615,818
Operations and maintenance	1,659,438	1,675,760	-	-	3,335,198
Transportation	1,514,565	-	-	-	1,514,565
Co-curricular activities	972,187	-	-	-	972,187
Community service programs	1,758,556	-	-	-	1,758,556
Debt Service:					
Principal	-	45,847	2,730,299	-	2,776,146
Interest	-	-	1,837,378	-	1,837,378
Service charges	-	-	3,279	-	3,279
Capital outlay	342,043	3,374,910	-	-	3,716,953
TOTAL EXPENDITURES	44,509,368	5,096,517	4,570,956	1,615,818	55,792,659
Excess (deficiency) of revenues over expenditures	147,136	(2,099,300)	(33,399)	(48,924)	(2,034,487)
OTHER FINANCING SOURCES (USES)					
Transfers in	300,000	-	499,010	-	799,010
Transfers out	(117,840)	(381,170)	-	-	(499,010)
TOTAL OTHER FINANCING SOURCES (USES)	182,160	(381,170)	499,010	-	300,000
Net change in fund balances	329,296	(2,480,470)	465,611	(48,924)	(1,734,487)
Fund balances - beginning of year, originally stated	14,875,153	15,764,767	5,031,130	209,412	35,880,462
Prior period adjustment - see note 16	409,128	237,064	711,674	(66,799)	1,291,067
Fund balances - beginning of year, restated	15,284,281	16,001,831	5,742,804	142,613	37,171,529
Fund balances - ending	\$ 15,613,577	\$ 13,521,361	\$ 6,208,415	\$ 93,689	\$ 35,437,042

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds		\$ (1,734,487)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		
Current year capital outlay (over \$5,000)	3,716,953	
Current year depreciation expense	<u>(2,139,338)</u>	1,577,615
Repayment of debt principal is an expenditure in the governmental fund, but repayment reduces long-term liabilities in the Statement of Net Position		2,776,146
Repayment of bond premium payable is not recognized in the governmental funds, but reduces interest expense in the Statement of Activities.		74,591
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net decrease in compensated absences	412,042	
Net increase in interest payable	(20,642)	
Net decrease in OPEB liability	1,547	
Net increase in net pension liability	<u>(1,258,126)</u>	(865,179)
Changes in deferred inflows and outflows relating to net pension liability		(1,542,910)
Changes in deferred inflows and outflows relating to net OPEB liability		20,842
Some revenues reported on the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		
		256,154
Internal service funds are used by the school to charge the costs of health insurance to departments. The net revenue of activities of the internal service fund is reported with governmental activities.		
		826,792
Transfers in from an internal service fund show as a positive change in fund balance in the governmental funds. However, transfers net to zero on the governmental activities statements and have no net impact on net position.		
		<u>(300,000)</u>
Change in net position of governmental activities		<u>\$ 1,089,564</u>

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2018

	Internal Service Fund Self-Funded <u>Health Insurance</u>
ASSETS	
Current assets	
Cash	\$ 1,645,232
Prepaid expenses	<u>71,308</u>
Total current assets	<u>1,716,540</u>
LIABILITIES	
Current liabilities	
Incurred but not reported claims	302,000
Unearned health insurance premiums	<u>1,147,947</u>
Total current liabilities	<u>1,449,947</u>
NET POSITION	
Unrestricted	<u>\$ 266,593</u>

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund Self-Funded <u>Health Insurance</u>
Operating revenues	
Contributions to self-insurance district	\$ 4,997,149
Contributions to self-insurance cobra	71,978
Rebates	<u>64,474</u>
Total operating revenues	<u>5,133,601</u>
Operating expenses	
Health insurance claims	3,094,327
Stop loss premiums	893,219
Administrative fees	<u>324,360</u>
Total operating expenses	<u>4,311,906</u>
Operating income	<u>821,695</u>
Non-operating revenues	
Royalties	<u>5,097</u>
Other financing sources (uses)	
Tranfers out	<u>(300,000)</u>
Change in net position	<u>526,792</u>
Total net position - beginning of year, originally stated	-
Prior period adjustment - see note 16	<u>(260,199)</u>
Total net deficit - beginning of year, restated	<u>(260,199)</u>
Total net position - end of year	<u>\$ 266,593</u>

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund Self-Funded Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Premiums received	\$ 5,167,436
Rebates received	64,474
Payments for health insurance claims and related activities	<u>(4,434,003)</u>
Net cash provided (used) by operating activities	<u>797,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Royalties received	<u>5,097</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Transfers out	<u>(300,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	503,004
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,142,228</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 1,645,232</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 821,695
Effect on cash flows due to changes in assets and liabilities:	
Prepaid expenses	(10,110)
Accounts payable	(64,987)
Incurred but not reported claims	(47,000)
Unearned health insurance premiums	<u>98,309</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 797,907</u></u>

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2018

	<u>Student Activities</u>
ASSETS	
Cash and cash equivalents	<u>\$ 601,805</u>
LIABILITIES	
Due to student activities groups	<u>\$ 601,805</u>

See Notes to the Financial Statements

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Dickinson Public School District (District) operates the public schools in the city of Dickinson, North Dakota. There are six elementary schools, one middle school, two high schools, an early childhood center, and an adult learning center.

Reporting Entity – The accompanying financial statements present the activities of the Dickinson Public School District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Dickinson Public School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Dickinson Public School District.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to 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.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

The government-wide financial statements do not include fiduciary funds.

Fund Financial Statements:

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

Fund accounting – The District’s funds consist of the following:

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

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

Building fund – This fund is accounts for the financial resources related to the capital outlays made by the District.

Debt service fund – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Food service fund – This fund accounts for the financial resources associated with the District’s hot lunch program. The food service fund did not qualify as a major fund, but as it is the only non-major fund, management has elected to show it as a major fund.

Proprietary Funds – The reporting focus of proprietary funds is on the determination of net income, financial position and changes in financial position (economic resources). These funds are used to account for activities which are similar to those found in the private sector. The funds are maintained on the accrual basis of accounting.

Internal Service – The reporting focus of internal service funds is on services provided by one fund of the District to another fund on a cost reimbursement basis. The District’s only internal service fund consists of the following:

Self-funded health insurance fund – The fund accounts for the financial transactions related to the District’s self-funded health insurance plan.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Fiduciary Funds – The reporting focus of fiduciary funds is on net position and changes in net position. The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

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

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities, and current deferred inflows/outflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

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

Basis of Accounting

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District's internal service fund also uses the accrual basis of accounting. The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Cash and Cash Equivalents

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

Grants Receivable

Grants receivable consists of reimbursements due for expenses incurred in the operation of various school programs which are grant funded. This amount consists of a mix of federal and state dollars.

Due from County Treasurer

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the District at June 30.

Inventories

Inventories are valued using the weighted-average method and consist of supplies for the food service fund. The cost of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Reported inventories are equally offset by a nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

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

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

Buildings and improvements	15-50 Years
Furniture and equipment	7-25 Years

Compensated Absences

Vested or accumulated vacation leave is reported in government-wide statements of net position. Compensation for unused vacation leave will be granted to all twelve-month, full-time employees who work at least seventeen and one-half hours per week upon termination with the District. Twelve-month, full-time employees may carry forward unused vacation. All accrued vacation time must be used within twenty-four months after the year in which the time is earned.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bond. Issuance costs are reported as expenditures in the year the bond is issued.

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt and payables related to construction of capital assets associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items reported on the statement of net position as deferred pension outflows, one which represents the actuarial differences within the NDPERS and TFFR pension plans, and another that represents the actuarial differences within the NDPERS OPEB liability. See notes 8, 9 and 10 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. One of the items, unavailable revenue – delinquent taxes, is reported only in the governmental funds balance sheet. This amount, which is from delinquent property taxes, is deferred and recognized as an inflow of resources in the period that the amount become available. The other item is reported on the statement of net position as deferred pension inflows, which represents the actuarial differences within the NDPERS and TFFR pension plans as well as amounts paid to the plan after the measurement date. The last item is reported on the statement of net position as deferred OPEB inflows, which represents the actuarial differences within the NDPERS OPEB liability. See notes 8, 9 and 10 for further details.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Delinquent Taxes

Receivables, such as taxes receivable, may be measurable but not available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported delinquent taxes are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board-the District’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes.

Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District’s preference is to first use restricted resources, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

Pensions

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

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deduction 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.

Estimates

The preparation of the 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.

As discussed in note 7, the District has established a self-funded health insurance plan. Because of the inherent uncertainties associated with estimating the accrued liability for claims, it is at least reasonably possible that the estimate used will change within the near term.

Revenues - Exchange and Non-Exchange Transactions

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

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

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

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

Revenue Recognition - Property Taxes

As of June 30, 2018, taxes receivable consists of current and delinquent uncollected taxes for the past five years. Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the district.

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

Revenue Recognition - Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to other funds for health insurance premiums. Operating expenses for the internal service fund include the cost of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

Implementation of New Accounting Principle

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* during the year ended June 30, 2018. GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to state and local government employers. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. In addition, for defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

NOTE 3 DEPOSITS AND INVESTMENTS

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

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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

Custodial Credit Risk

At year end June 30, 2018, the District's carrying amount of cash and cash equivalents was as follows:

Governmental funds	\$ 35,664,022
Internal service fund	1,645,232
Agency fund	<u>601,805</u>
Total cash and cash equivalents	<u>\$ 37,911,059</u>

The bank balance of these deposits that was subject to custodial credit risk as of June 30, 2018 was \$39,704,156. The difference results from checks outstanding or deposits not yet processed. There are no amounts subject to custodial credit risk. \$39,454,156 of the District's deposits are covered by pledged securities held in the District's name.

Credit Risk and Interest Rate Risk

The school may invest idle funds as authorized in North Dakota Statutes, as follows:

- a. Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- b. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c. Certificates of Deposit fully insured by the federal deposit insurance corporation.
- d. Obligations of the state.
- e. Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

The District has no interest rate risk or credit risk of debt securities.

NOTE 4 CAPITAL ASSETS

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

	Balance (as restated) July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 1,491,903	\$ 1,703,516	\$ -	\$ 3,195,419
Construction in progress	61,224,472	1,104,911	(61,224,472)	1,104,911
Total capital assets, not depreciated	<u>62,716,375</u>	<u>2,808,427</u>	<u>(61,224,472)</u>	<u>4,300,330</u>
Capital assets, being depreciated				
Buildings	32,418,729	61,716,909	-	94,135,638
Furniture and equipment	5,222,603	461,938	(35,490)	5,649,051
Total capital assets, being depreciated	<u>37,641,332</u>	<u>62,178,847</u>	<u>(35,490)</u>	<u>99,784,689</u>
Less accumulated depreciation for				
Buildings	9,913,388	1,738,104	-	11,651,492
Furniture and equipment	3,184,010	401,234	(35,490)	3,549,754
Total accumulated depreciation	<u>13,097,398</u>	<u>2,139,338</u>	<u>(35,490)</u>	<u>15,201,246</u>
Total capital assets being depreciated, net	<u>24,543,934</u>	<u>60,039,509</u>	<u>-</u>	<u>84,583,443</u>
Governmental activities capital assets, net	<u>\$ 87,260,309</u>	<u>\$ 62,847,936</u>	<u>\$ (61,224,472)</u>	<u>\$ 88,883,773</u>

Depreciation expense was not allocated to any functions/programs of the District on the Statement of Activities.

NOTE 5 LONG-TERM DEBT

Changes in Long-Term Liabilities

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

	Balance (as restated) July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Compensated absences *	\$ 536,681	\$ -	\$ (412,042)	124,639	124,639
Net pension liability **	46,850,691	16,516,209	(15,258,083)	48,108,817	-
Net OPEB liability ***	410,250	139,825	(141,372)	408,703	-
Special assessments	-	45,847	(45,847)	-	-
Bonds payable	68,066,295	-	(2,730,298)	65,335,997	3,061,168
Bond premium	1,375,636	-	(74,591)	1,301,045	74,591
Total	<u>\$ 117,239,553</u>	<u>\$ 16,701,881</u>	<u>\$ (18,662,233)</u>	<u>\$ 115,279,201</u>	<u>\$ 3,260,398</u>

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reduction. The general fund is primarily used to liquidate compensated absences.

** See Notes 8 and 9 for more information on the net pension liability. The general fund would liquidate any liability owed.

*** See Note 10 for more information on the net OPEB liability. The general fund would liquidate any liability owed.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Debt Service Requirements

Annual requirements on long term debt at June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 3,061,168	\$ 1,799,797
2020	3,138,440	1,718,694
2021	3,226,586	1,646,392
2022	3,320,650	1,571,413
2023	3,410,680	1,493,690
2024-2028	18,088,151	6,731,710
2029-2033	18,613,746	4,255,458
2034-2038	12,476,576	748,047
Premium	1,301,045	(1,301,045)
Totals	<u>\$ 66,637,042</u>	<u>\$ 18,664,157</u>

Debt Outstanding

The obligations under bonds payable are as follows:

<u>Bonds Payable</u>	<u>Outstanding 6/30/18</u>
\$5,000,000 General Obligation Building Fund Bonds of 2011A, due in annual installments of \$305,000 to \$375,000 through August 1, 2026, interest at 0.35% to 2.5%. Payments are to be made from the Debt Service Fund.	\$ 3,110,000
\$1,500,000 Limited Tax Bonds of 2011B, due in annual installments of \$90,000 to \$115,000 through August 1, 2027, interest at 0.75% to 2.6%. Payments are to be made from the Debt Service Fund.	1,035,000
\$9,865,000 General Obligation School Building Bonds of 2014, due in annual installments of \$250,000 to \$845,000 through August 1, 2034, interest at 2.00% to 3.25%. Payments are to be made from the Debt Service Fund. Includes premium of \$112,690.	9,112,690
\$25,000,000 General Obligation School Building Bonds of 2015, due in annual installments of \$835,000 to \$1,770,000 through August 1, 2035, interest at 3.0% to 4.0%. Payments are to be made from the Debt Service Fund. Includes premium of \$693,917.	23,983,917
\$20,135,000 General Obligation School Building Bonds of 2016, due in annual installments of \$850,000 to \$1,485,000 through August 1, 2035, interest at 2.0% to 3.0%. Payments are to be made from the Debt Service Fund. Includes premium of \$494,438.	19,779,439
\$10,000,000 General Obligation School Building Bonds of 2016B, due in annual installments of \$63,706 to \$399,096 through April 1, 2036. Interest at 2.0% until July 1, 2025 under the BND School Construction Loan program, with a negotiated interest rate to maturity after. Payments are to be made from the Debt Service Fund.	9,615,996
Total Bonds Payable	<u>\$ 66,637,042</u>

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 FUND BALANCES

At June 30, 2018, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Non-spendable:					
Inventories	\$ -	\$ -	\$ -	\$ 20,334	\$ 20,334
Restricted:					
Capital Projects	-	13,521,361	-	-	13,521,361
Debt Service	-	-	6,208,415	-	6,208,415
Assigned:					
Food Service	-	-	-	73,355	73,355
Unassigned	<u>15,613,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,613,577</u>
	<u>\$ 15,613,577</u>	<u>\$ 13,521,361</u>	<u>\$ 6,208,415</u>	<u>\$ 93,689</u>	<u>\$ 35,437,042</u>

NOTE 7 RISK MANAGEMENT

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

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

The District also participates in the North Dakota Fire and Tornado Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period.

The District has workers compensation with the North Dakota Workforce Safety and Insurance.

The District has retained risk for employee health and dental insurance up to a maximum of \$100,000 per year per individual. They have purchased a stop loss policy for amounts in excess of 120% of expected claims.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Claims, which have been incurred at year-end but not reported, have been recorded as a claim reserve payable in the amount of \$302,000 for 2018. Blue Cross Blue Shield, the plan administrator, has calculated this reserve requirement. Changes in the claim reserve payable during the year were as follows:

Balance, July 1, 2017	\$ 349,000
Incurred claims including incurred but not reported	4,311,907
Less: claims paid	<u>(4,358,907)</u>
Balance, June 30, 2018	<u>\$ 302,000</u>

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

NOTE 8 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.

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.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

Tier 1 Non-grandfathered

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

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

Tier 2

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.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

At June 30, 2018, the District reported a liability of \$39,307,779 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2017, the Employer's proportion was 2.86181591 percent, which was an increase of 0.02461615 from its proportion measured at June 30, 2016.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

For the year ended June 30, 2018, the Employer recognized pension expense of \$4,207,869. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 150,773	\$ (429,099)
Changes of assumptions	2,801,712	-
Net difference between projected and actual earnings on pension plan investments	542,951	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,891,694	-
Employer contributions subsequent to the measurement date	<u>2,568,255</u>	<u>-</u>
Total	<u><u>\$ 7,955,385</u></u>	<u><u>\$ (429,099)</u></u>

\$2,568,255 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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	\$ 1,102,489
2020	1,954,130
2021	1,420,914
2022	485,468
2023	(3,959)
Thereafter	(1,011)

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Actuarial Assumptions

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

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

For active and inactive members, mortality rates are 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 are 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 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

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

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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, 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 June 30, 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$52,260,389	\$39,307,779	\$28,525,121

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at <http://www.nd.gov/rio/SIB/Publications/CAFR/default.htm>.

NOTE 9 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT 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.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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; and 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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service

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

Death and Disability Benefits

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

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

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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

At June 30, 2018, the Employer reported a liability of \$8,801,038 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the Employer's proportion was 0.547557 percent, which was an increase of 0.005379 from its proportion measured at June 30, 2016.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

For the year ended June 30, 2018, the Employer recognized pension expense of \$1,402,237. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 52,313	\$ (42,880)
Changes of assumptions	3,609,019	(198,504)
Net difference between projected and actual earnings on pension plan investments	118,367	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	310,735	(33,452)
Employer contributions subsequent to the measurement date	<u>468,932</u>	<u>-</u>
Total	<u>\$ 4,559,366</u>	<u>\$ (274,836)</u>

\$468,932 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date that 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	\$ 837,290
2020	999,703
2021	876,848
2022	735,245
2023	366,512

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Actuarial Assumptions

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

Inflation	2.50%	
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 with ages 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 Retiree Mortality Table set back one year for males (no set-back for females) multiplied by 125%.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	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%

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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.

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 is 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	\$11,947,677	\$8,801,038	\$6,183,164

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director - NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

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.

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.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

At June 30, 2018, the Employer reported a liability of \$408,703 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of **June 30, 2017**, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At **June 30, 2017**, the Employer's proportion was 0.516684 percent.

For the year ended June 30, 2018, the Employer recognized OPEB expense of \$48,879. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (9,968)
Changes of assumptions	39,585	-
Net difference between projected and actual earnings on pension plan investments	-	(15,453)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(2,466)
Employer contributions subsequent to the measurement date	<u>75,082</u>	<u>-</u>
Total	<u>\$ 114,667</u>	<u>\$ (27,887)</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

\$75,082 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	387
2020		387
2021		387
2022		387
2023		4,250
2024		4,250
Thereafter		1,650

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:

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

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Discount rate. The discount rate used to measure the total OPEB liability was 7.50%. 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 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 511,646	\$ 408,703	\$ 320,462

NOTE 11 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 effect on the overall financial position of the District as of June 30, 2018.

NOTE 12 NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service and twenty-first century learning programs. The market value of commodities received for the year ended June 30, 2018 was \$136,464.

NOTE 13 COMMITMENTS

The District entered into various construction contracts prior to year-end related to Berg Elementary totaling \$4,908,989. As of June 30, 2018, there is \$3,907,297 left to be expensed on these contracts.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 14 TRANSFERS

The following is a reconciliation of transfers in and out during the year ended June 30, 2018. The purpose of the transfer between the general fund and the self-funded health insurance fund was to repay a transfer from a prior year, and the purpose of the transfers from the general fund and building fund to the debt service fund was to cover debt payments to be made out of the fund which are covered by general and building fund levies.

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 300,000	\$ 117,840
Building fund	-	381,170
Debt service fund	499,010	-
Self-funded health insurance fund	-	300,000
Total transfers	<u>\$ 799,010</u>	<u>\$ 799,010</u>

NOTE 15 FUTURE PRONOUNCEMENTS

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

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

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

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

NOTE 16 PRIOR PERIOD ADJUSTMENTS

The District has recorded the following prior period adjustments to its June 30, 2017 government wide financial statements:

- 1) A prior period adjustment was recorded to properly account for bond premiums as of June 30, 2017. The effect of this adjustment was an increase in bond payables and a decrease in net position of \$1,375,636.
- 2) A prior period adjustment was recorded to properly adjust capital assets and related accumulated depreciation to actual as of June 30, 2017. The effect of this adjustment was a net decrease in capital assets and decrease in net position of \$947,466.
- 3) A prior period adjustment was recorded to properly account for property tax revenue recognition as of June 30, 2017. The effect of this adjustment was an increase in taxes receivable and net position of \$1,374,293.
- 4) The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which required a prior period adjustment to net OPEB liability and related deferred outflows as of July 1, 2017. The cumulative effect of implementing this GASB statement was an increase in net OPEB liability of \$410,250 and increase of deferred outflows - OPEB of \$65,938 on the Statement of Net Position. The adjustments resulted in a decrease of \$344,312 in net position.

There are various prior period adjustments that were posted to the governmental fund statements which also affected the government wide statements. See the items listed below.

The District recorded the following prior period adjustments to its June 30, 2017 governmental fund financial statements:

- 5) A prior period adjustment was recorded to adjust unearned revenue of the food service fund to actual as of June 30, 2017. The effect of this adjustment was an increase to unearned revenue and a decrease in fund balance of \$66,799. This adjustment also resulted in an increase to unearned revenue and a decrease in net position of \$66,799 for the government-wide financial statements.
- 6) A prior period adjustment was recorded to adjust accounts payable in the building fund to actual as of June 30, 2017. The net effect of these adjustments was a decrease in accounts payable and an increase in fund balance of \$237,064. These adjustments also resulted in a net decrease in accounts payable and a net increase in net position of \$237,064 for the government-wide financial statements.
- 7) A prior period adjustment was recorded in the general fund to move District dollars for non-federal after-school program out of the fiduciary funds and into the governmental funds. The net effect of this adjustment was an increase in cash and increase in fund balance of \$409,128. This adjustment also resulted an increase in cash and increase in net position of \$409,128 for the government-wide financial statements.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

- 8) A prior period adjustment was recorded in the debt service fund to remove accrued interest on long-term debt as a liability in the governmental funds. Long-term liabilities that are not due and payable in the current year are not reported as fund liabilities. This adjustment resulted a decrease to accrued interest and increase of fund balance of \$711,764.
- 9) A prior period adjustment was recorded to establish an internal service fund for the District's self-funded health insurance activity. The net effect of this adjustment was an increase in the following accounts in the internal service fund as follows: cash \$1,142,228, unearned health insurance premiums \$1,049,638, incurred but not reported claims \$349,000, accounts payable \$64,986, and prepaid expenses \$61,197. There was also a decrease to opening net position in the internal service fund of \$260,199. The adjustments to unearned health insurance premiums, incurred but not reported claims, accounts payable, prepaid expenses, and net position also affected the government-wide statements in the same amount.

A summary of the prior period adjustments is shown below:

	Governmental Activities	General Fund	Building Fund
Prior Period Adjustment #1	\$ (1,375,636)	\$ -	\$ -
Prior Period Adjustment #2	(947,466)	-	-
Prior Period Adjustment #3	1,374,293	-	-
Prior Period Adjustment #4	(344,312)	-	-
Prior Period Adjustment #5	(66,799)	-	-
Prior Period Adjustment #6	237,064	-	237,064
Prior Period Adjustment #7	409,128	409,128	-
Prior Period Adjustment #8	-	-	-
Prior Period Adjustment #9	(260,199)	-	-
Total Prior Period Adjustment	<u>\$ (973,927)</u>	<u>\$ 409,128</u>	<u>\$ 237,064</u>
	<u>Debt Service Fund</u>	<u>Food Service Fund</u>	<u>Self-Funded Health Insurance Fund</u>
Prior Period Adjustment #1	\$ -	\$ -	\$ -
Prior Period Adjustment #2	-	-	-
Prior Period Adjustment #3	-	-	-
Prior Period Adjustment #4	-	-	-
Prior Period Adjustment #5	-	(66,799)	-
Prior Period Adjustment #6	-	-	-
Prior Period Adjustment #7	-	-	-
Prior Period Adjustment #8	711,764	-	-
Prior Period Adjustment #9	-	-	(260,199)
Total Prior Period Adjustment	<u>\$ 711,764</u>	<u>\$ (66,799)</u>	<u>\$ (260,199)</u>

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 17 SUBSEQUENT EVENTS

Subsequent to year end, the District has entered into contracts totaling \$838,700 for various capital improvements and capital acquisitions. Subsequent events have been evaluated through January 28, 2019, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DICKINSON PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
REVENUES				
Local sources	\$ 11,075,500	\$ 11,075,500	\$ 11,814,377	\$ 738,877
State sources	29,977,095	29,977,095	30,395,584	418,489
Federal sources	<u>2,583,409</u>	<u>2,583,409</u>	<u>2,446,543</u>	<u>(136,866)</u>
TOTAL REVENUES	<u>43,636,004</u>	<u>43,636,004</u>	<u>44,656,504</u>	<u>1,020,500</u>
EXPENDITURES				
Current:				
Salaries	27,000,229	27,000,229	27,660,647	(660,418)
Employee benefits	9,109,840	9,109,840	9,136,510	(26,670)
Contracted services	2,346,692	2,346,692	2,029,868	316,824
Repairs and maintenance	296,046	296,046	215,397	80,649
Bus services	400,000	400,000	442,220	(42,220)
Insurance	93,000	93,000	84,934	8,066
Tuition	350,000	350,000	488,426	(138,426)
Travel	169,589	169,589	146,322	23,267
Supplies	984,632	984,632	1,019,323	(34,691)
Utilities	991,100	991,100	924,370	66,730
Books	373,630	373,630	707,972	(334,342)
Other	394,235	394,235	182,551	211,684
Capital outlays (including <\$5,000)	<u>1,583,031</u>	<u>1,583,031</u>	<u>1,470,828</u>	<u>112,203</u>
TOTAL EXPENDITURES	<u>44,092,024</u>	<u>44,092,024</u>	<u>44,509,368</u>	<u>(417,344)</u>
Excess (deficiency) of revenues over expenditures	<u>(456,020)</u>	<u>(456,020)</u>	<u>147,136</u>	<u>603,156</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	300,000	300,000
Transfers out	<u>(285,000)</u>	<u>(285,000)</u>	<u>(117,840)</u>	<u>167,160</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(285,000)</u>	<u>(285,000)</u>	<u>182,160</u>	<u>467,160</u>
Net change in fund balances	<u>(741,020)</u>	<u>(741,020)</u>	<u>329,296</u>	<u>1,070,316</u>
Fund balances - beginning of year, originally stated			14,875,153	
Prior period adjustment - see note 16			<u>409,128</u>	
Fund balances - beginning of year, restated			<u>15,284,281</u>	
Fund balances - ending			<u>\$ 15,613,577</u>	

See Notes to the Required Supplementary Information

DICKINSON PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	2.861816%	\$ 39,307,779	\$ 19,316,437	203.49%	63.20%
2017	2.837200%	41,566,638	18,433,992	225.49%	59.20%
2016	2.819124%	36,870,059	17,340,566	212.62%	62.10%
2015	2.595114%	27,192,194	15,053,043	180.64%	66.60%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.547557%	\$ 8,801,038	\$ 5,589,699	157.45%	61.98%
2017	0.542178%	5,284,053	5,463,875	96.71%	70.46%
2016	0.480510%	3,267,386	4,280,763	76.33%	77.15%
2015	0.492027%	3,123,001	4,144,736	75.35%	77.70%

* Complete data for these schedules is not available prior to 2015.

See Notes to the Required Supplementary Information

DICKINSON PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.516684%	\$ 408,703	\$ 5,589,699	7.31%	59.78%

* Complete data for this schedule is not available prior to 2018.

See Notes to the Required Supplementary Information

DICKINSON PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 2,568,255	\$ (2,568,255)	\$ -	\$ 20,143,176	12.75%
2017	2,462,846	(2,462,846)	-	19,316,437	12.75%
2016	2,350,334	(2,350,334)	-	18,433,992	12.75%
2015	2,210,816	(2,210,816)	-	17,340,566	12.75%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 468,932	\$ (468,932)	\$ -	\$ 6,586,124	7.12%
2017	405,321	(388,105)	17,216	5,450,913	7.12%
2016	395,576	(382,540)	13,036	5,372,753	7.12%
2015	325,158	(343,029)	(17,871)	4,817,823	7.12%

* Complete data for these schedules is not available prior to 2015.

See Notes to the Required Supplementary Information

DICKINSON PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
2018	\$ 75,082	\$ (75,082)	\$ -	\$ 6,586,140	1.14%

* Complete data for this schedule is not available prior to 2018.

See Notes to the Required Supplementary Information

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's board adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

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

- The annual budget must be prepared and District taxes must be levied on or before the 15th day of August of each year.
- The taxes levied must be certified to the county auditor by October 10th.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business and operations manager at the revenue and expenditure function/object level.
- The current budget, except property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 EXPENDITURES IN EXCESS OF BUDGET

Expenditures exceeded budget in the general fund by \$417,344 during the year ended June 30, 2018. No remedial action is anticipated or required by the District regarding these excess expenditures.

NOTE 3 CHANGE OF ASSUMPTIONS

TFFR Pension Plan

Amounts reported in 2016 and later reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015.

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

NDPERS Pension Plan

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.

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2018

NDPERS OPEB

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.

SUPPLEMENTAL INFORMATION

DICKINSON PUBLIC SCHOOLS DISTRICT
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET TO ACTUAL – FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance With Budget
REVENUES				
Local sources	\$ 781,800	\$ 781,800	\$ 848,043	\$ 66,243
State sources	37,800	37,800	10,082	(27,718)
Federal sources	475,000	475,000	708,769	233,769
TOTAL REVENUES	<u>1,294,600</u>	<u>1,294,600</u>	<u>1,566,894</u>	<u>272,294</u>
EXPENDITURES				
Current:				
Salaries	728,481	728,481	664,132	64,349
Employee benefits	198,193	198,193	179,803	18,390
Repairs and maintenance	10,000	10,000	277	9,723
Travel	700	700	-	700
Supplies	60,500	60,500	34,286	26,214
Utilities	762,848	762,848	735,757	27,091
Capital outlays (including <\$5,000)	114,000	114,000	1,563	112,437
TOTAL EXPENDITURES	<u>1,874,722</u>	<u>1,874,722</u>	<u>1,615,818</u>	<u>258,904</u>
Excess (deficiency) of revenues over expenditures	<u>(580,122)</u>	<u>(580,122)</u>	<u>(48,924)</u>	<u>531,198</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	-	(250,000)
Net change in fund balances	<u>(330,122)</u>	<u>(330,122)</u>	<u>(48,924)</u>	<u>281,198</u>
Fund balances - beginning of year, originally stated			209,412	
Prior period adjustment - see note 16			<u>(66,799)</u>	
Fund balances - beginning of year, restated			<u>142,613</u>	
Fund balances - ending			<u>\$ 93,689</u>	

DICKINSON PUBLIC SCHOOLS DISTRICT
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET TO ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
REVENUES				
Local sources	\$ 4,460,193	\$ 4,460,193	\$ 4,537,557	\$ 77,364
EXPENDITURES				
Debt Service:				
Principal	2,731,848	2,731,848	2,730,299	1,549
Interest	1,891,664	1,891,664	1,837,378	54,286
Service charges	9,000	9,000	3,279	5,721
TOTAL EXPENDITURES	<u>4,632,512</u>	<u>4,632,512</u>	<u>4,570,956</u>	<u>61,556</u>
Excess (deficiency) of revenues over expenditures	<u>(172,319)</u>	<u>(172,319)</u>	<u>(33,399)</u>	<u>138,920</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>381,170</u>	<u>381,170</u>	<u>499,010</u>	<u>117,840</u>
Net change in fund balances	<u>208,851</u>	<u>208,851</u>	<u>465,611</u>	<u>256,760</u>
Fund balances - beginning of year, originally stated			5,031,130	
Prior period adjustment - see note 16			<u>711,674</u>	
Fund balances - beginning of year, restated			<u>5,742,804</u>	
Fund balances - ending			<u>\$ 6,208,415</u>	

DICKINSON PUBLIC SCHOOLS DISTRICT
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET TO ACTUAL – BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
REVENUES				
Local sources	\$ 1,840,500	\$ 1,840,500	\$ 1,793,114	\$ (47,386)
State sources	<u>-</u>	<u>-</u>	<u>1,204,103</u>	<u>1,204,103</u>
TOTAL REVENUES	<u>1,840,500</u>	<u>1,840,500</u>	<u>2,997,217</u>	<u>1,156,717</u>
EXPENDITURES				
Current:				
Contracted services	50,000	50,000	138,892	(88,892)
Repairs and maintenance	915,000	915,000	486,687	428,313
Other	25,000	25,000	-	25,000
Debt Service:				
Principal	-	-	45,847	(45,847)
Capital outlays (including <\$5,000)	<u>13,575,847</u>	<u>13,575,847</u>	<u>4,425,091</u>	<u>9,150,756</u>
TOTAL EXPENDITURES	<u>14,565,847</u>	<u>14,565,847</u>	<u>5,096,517</u>	<u>9,469,330</u>
Excess (deficiency) of revenues over expenditures	<u>(12,725,347)</u>	<u>(12,725,347)</u>	<u>(2,099,300)</u>	<u>10,626,047</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(381,170)</u>	<u>(381,170)</u>	<u>(381,170)</u>	<u>-</u>
Net change in fund balances	<u>(13,106,517)</u>	<u>(13,106,517)</u>	<u>(2,480,470)</u>	<u>10,626,047</u>
Fund balances - beginning of year, originally stated			15,764,767	
Prior period adjustment - see note 16			<u>237,064</u>	
Fund balances - beginning of year, restated			<u>16,001,831</u>	
Fund balances - ending			<u>\$ 13,521,361</u>	

DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction:			
School Breakfast Program	10.553	F10553	68,106
National School Lunch Program	10.555	F10555	489,486
National School Lunch Program - commodities	10.555	F10555	136,464
Child Nutrition Cluster			<u>694,056</u>
SAE Food Nutrition	10.560	F10560	5,103
Fresh Fruit and Vegetable Program	10.582	F10582	<u>12,903</u>
Total U.S. Department of Agriculture			<u>712,062</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the State Board of Career and Technical Education:			
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	2038	69,069
Passed through North Dakota Department of Public Instruction:			
Adult Education	84.002	F84002A	92,000
Title I - Grants to LEAs	84.010	PII017	718,409
IDEA, Part B Special Education	84.027	PII024	889,585
IDEA, Part B Special Education - Preschool	84.173	PII026	19,595
Special Education Cluster (IDEA)			<u>909,180</u>
Twenty-First Century Community Learning Centers	84.287	PII066	376,177
Improving Teacher Quality State Grants	84.367	F84367	265,031
Student Support and Academic Enrichment	84.424	F84424A	<u>13,384</u>
Total U.S. Department of Education			<u>2,443,250</u>
Total expenditures of federal awards			<u>\$ 3,155,312</u>

See Notes to the Schedule of Expenditures of Federal Awards

DICKINSON PUBLIC SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of Dickinson Public School District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures are not allowable or limited as to reimbursement. Dickinson Public School District has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

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

To the School Board
Dickinson Public School District
Dickinson, 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 and each major fund of Dickinson Public School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Dickinson Public School District's basic financial statements and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dickinson Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dickinson Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dickinson Public School District'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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompany schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dickinson Public School District'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-002.

District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

January 28, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Dickinson Public School District
Dickinson, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Dickinson Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dickinson Public School District's major federal program for the year ended June 30, 2018. Dickinson Public School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Dickinson Public School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dickinson Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Dickinson Public School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Dickinson Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Dickinson Public School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Dickinson Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Dickinson Public School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 28, 2019

DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> x </u> yes	<u> </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are Required to be reported in accordance with 2 CDF 200.516(a)?	<u> </u> yes	<u> x </u> no
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<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as a low-risk auditee?	<u> x </u> yes	<u> </u> no
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DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

2018-001: Material Weakness

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, in addition, as auditors, we prepared several material journal entries in order to present the financial statements in accordance with generally accepted accounting principles.

Cause

There were misstatements in the prior year audited financial statements and accounting staff typically rely on the auditors to propose several adjustments to be in accordance with GAAP.

Effect

This control deficiency could result in a misstatement to the presentation of the audited financial statements.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. In addition, accounting personnel should track and maintain supporting schedules for items recorded at the government wide level. We recommend the District reviews its accounting procedures to ensure the procedures include properly adjusting for accruals at year end.

Views of Responsible Officials and Planned Corrective Actions

Prior to the 2017-2018 financial statement audit performed by Brady Martz & Associates, P.C., the District had a long-term auditor performing its annual financial statement audit. During those previous audits, the District relied heavily on that auditor to propose year-end adjustments and maintain supporting schedules in order to adjust the District's modified cash basis internal financial statements to accrual basis financial statements in accordance with generally accepted accounting principles (GAAP). The District has the necessary qualified personnel in place to implement revised accounting procedures which will eliminate this reliance on auditors for these adjustments and maintenance of supplemental schedules. The District will implement these revised accounting procedures for the 2019 Fiscal Year.

Indication of Repeat Finding

This is a new finding during the current fiscal year.

DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2018-002

Criteria

In accordance with North Dakota Century Code 15.1-07-23, the business manager shall furnish a bond in an amount at least equal to 25% of the maximum money subject to the business manager's control at one time.

Condition

No bond had been obtained through the North Dakota state bonding fund to meet this Century Code requirement.

Cause

The District was not aware of this requirement.

Effect

The District was not in compliance with North Dakota Century Code.

Recommendation

We recommend the District obtain the required bonding.

Views of Responsible Officials and Planned Corrective Actions

As soon as the District became aware that they did not have the bond coverage in place as required by North Dakota Century Code, the District contacted the North Dakota Insurance Department and obtained the necessary coverage.

Section III – Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

DICKINSON PUBLIC SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There are no findings which are required to be reported under this section.



Corrective Action Plan – June 30, 2018

2018-001

Contact Person

Kent Anderson, Business Manager

Corrective Action Plan

Prior to the 2017-2018 financial statement audit performed by Brady Martz & Associates, P.C., the District had a long-term auditor performing its annual financial statement audit. During those previous audits, the District relied heavily on that auditor to propose year-end adjustments and maintain supporting schedules in order to adjust the District's modified cash basis internal financial statements to accrual basis financial statements in accordance with generally accepted accounting principles (GAAP). The District has the necessary qualified personnel in place to implement revised accounting procedures which will eliminate this reliance on auditors for these adjustments and maintenance of supplemental schedules. The District will implement these revised accounting procedures for the 2019 Fiscal Year.

Completion Date

Fiscal year 2019.

2018-002

Contact Person

Kent Anderson, Business Manager

Corrective Action Plan

As soon as the District became aware that they did not have the bond coverage in place as required by North Dakota Century Code, the District contacted the North Dakota Insurance Department and obtained the necessary coverage.

Completion Date

Fiscal year 2019.