RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RUGBY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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RUGBY PUBLIC SCHOOL DISTRICT NO. 5
ROSTER OF SCHOOL OFFICIALS
AS OF JUNE 30, 2018

Kris Blessum	President
Carlie Johnson	Vice President
Dustin Hager	Board Member
Shane Livedalen	Board Member
Brenda Heilman	Board Member
Mike McNeff	Superintendent
Dawn Hauck	Business Manager

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Rugby Public School District No. 5
Rugby, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Rugby Public School District No. 5, which comprise the governmental activities, each major fund, and the remaining fund information as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Rugby Public School District No. 5, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 16 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As discussed in Note 16 to the financial statements, the District has restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The roster of school officials and budgetary comparison information for the capital projects fund and debt service fund listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule of the capital projects fund and the debt service fund 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 to 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 schedule of the capital projects fund and the debt service fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

September 14, 2018

The discussion and analysis of Rugby Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

▪ Financial Highlights

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

- Net position of the District increased $210,446 over the prior year.
- Governmental net position totaled $2,327,636.
- Total revenues from all sources were $8,779,591.
- Total expenses at the fund level were $8,183,791.
- The District's general fund had $7,234,094 total revenues, $7,147,337 in expenditures and $9,917 in transfers out. Overall, the general fund balance increased by $76,840 for the year ended June 30, 2018, compared to an increase of $241,368 in the previous year.

▪ Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Rugby Public School District No. 5 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

▪ Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2018?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

- **Reporting the School District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Food Service Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

- **Financial Analysis of the District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2018 and 2017.

As indicated in the financial highlights, the District's net position increased by $210,446. Long term liabilities decreased by $179,048 for the year ended June 30, 2018 primarily due to scheduled debt payments. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of $2,327,636 is segregated into three separate categories. Net investment in capital assets represents 126% of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents 171% of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents (197%) of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

Table 1

	2018	2017 As Restated
Assets		
Current Assets	$ 6,236,302	$ 5,569,397
Capital Assets (Net of Related Debt)	10,424,614	10,697,423
Total Assets	16,660,916	16,266,820
Deferred Outflows of Resources	1,600,231	1,886,680
Liabilities		
Current Liabilities	357,948	346,839
Long-Term Liabilities	15,355,045	15,467,455
Total Liabilities	15,712,993	15,814,294
Deferred Inflows of Resources	220,518	179,765
Net Position		
Net Investment in Capital Assets	2,925,524	3,045,866
Restricted	3,987,258	3,049,194
Unrestricted	(4,585,146)	(3,935,619)
Total Net Position	$ 2,327,636	$ 2,159,441

Table 2 shows the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Table 2
Changes in Net Position

	2018	2017 As Restated
Revenues		
Program Revenues		
Charges for Services	$ 315,476	$ 311,286
Operating Grants and Contributions	719,558	765,732
General Revenues		
Taxes	3,126,445	2,848,267
State Aid	4,398,848	4,588,263
Other Federal Aid	295,416	294,941
Investment Earnings (Losses)	(32,845)	(76,674)
Total Revenues	8,822,898	8,731,815
Expenses		
Regular Instruction	3,679,871	3,637,235
Special Education	636,675	547,032
Vocational Education	381,456	370,018
Pupil Services	447,875	444,477
Business Support Services	124,116	114,465
Instructional Support Services	338,596	350,652
Administration	769,160	841,067
Operations and Maintenance	578,961	596,848
Transportation	512,872	525,287
Extra-Curricular Activities	365,776	351,092
Food Services	397,088	358,373
Interest and Fees on Long-Term Debt	380,006	402,089
Total Expenses	8,612,452	8,538,635
Change in Net Position	210,446	193,180
Net Position - Beginning	2,159,441	1,966,261
GASB 75 Adjustment	(42,251)	-
Net Position - Beginning as Restated	2,117,190	1,966,261
Net Position - Ending	$ 2,327,636	$ 2,159,441

Property taxes constituted 35%, state aid 50%, operating grants and contributions 8%, and charges for services made up 4% of the total revenues of governmental activities of the District for fiscal year 2018.

Regular instruction comprised 43% of District expenses, and includes the changes in the net pension liability and OPEB liability.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3	Total Cost for Year Ended 6/30/2018	Net Cost for Year Ended 6/30/2018	Total Cost for Year Ended 6/30/2017	Net Cost for Year Ended 6/30/2017
Business Support Services	$ 124,116	$ (124,116)	$ 114,465	$ (114,465)
Pupil Services	447,875	(447,875)	444,477	(444,477)
Instructional Support Services	338,596	(338,596)	350,652	(350,652)
Administration	769,160	(769,160)	841,067	(841,067)
Operations and Maintenance	578,961	(578,961)	596,848	(596,848)
Transportation	512,872	(268,053)	525,287	(258,351)
Regular Instruction	3,679,871	(3,374,451)	3,637,235	(3,260,581)
Special Education	636,675	(627,686)	547,032	(538,950)
Vocational Education	381,456	(319,743)	370,018	(297,331)
Extra-Curricular Activities	365,776	(357,058)	351,092	(342,288)
Food Services	397,088	8,287	358,373	(14,518)
Interest and Fees on Debt	380,006	(380,006)	402,089	(402,089)
Total Expenses	$ 8,612,452	$ (7,577,418)	$ 8,538,635	$ (7,461,617)

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

Extracurricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of $8,779,591 and $8,820,494 and expenditures of $8,183,791 and $8,287,978 for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, the unassigned fund balance of the District's general fund was $1,926,243 and $1,849,403 and total fund balance for all the District's governmental funds were $5,966,573 and $5,370,773, respectively.

General Fund Budgeting Highlights

Over the course of the year, the District did not revise the annual operating budget.

Actual revenues were $126,513 higher than expected and actual expenditures were $16,863 over the budget in the general fund due to higher property tax revenues than expected and higher debt service expenditures than expected. The District used a conservative approach to budgeting by estimating revenues low.

Capital Assets

As of June 30, 2018 and 2017, the District had $10,424,614 and $10,697,423, respectively, invested in net capital assets. Table 4 shows capital asset balances as of June 30, 2018 and 2017. See Note 4 for details.

Table 4

	2018	2017
Land	$ 103,719	$ 103,719
Land Improvements	235,913	267,051
Buildings	9,898,303	10,160,803
Equipment	136,498	107,746
Vehicles	50,181	58,104
Totals	$ 10,424,614	$ 10,697,423

Outstanding Debt

As of June 30, 2018 and 2017, the District had $15,506,314 in outstanding debt. The District decreased its overall debt by $179,048 from June 30, 2017. See below and Note 5 for a description of the District's debt.

	Restated Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Qualified School Construction Bonds	$ 6,000,000	$ -	$ -	$ 6,000,000	$ -
Bond Discount	(46,374)	-	(5,464)	(40,910)	-
HVAC Limited Tax Bonds, Series 2011	775,000	-	75,000	700,000	75,000
Limited Tax Bonds, Series 2013	890,000	-	50,000	840,000	50,000
Bremer Loan	32,931	-	32,931	-	-
2014 State Aid Anticipation Certificate of Indebtedness	30,526	-	30,526	-	-
Special Assessments	85,878	-	12,268	73,610	12,269
Early Retirement	-	28,000	-	28,000	14,000
Compensated Absences	12,514	928	-	13,442	-
Net OPEB Liability	50,112	17,080	17,269	49,923	-
Net Pension Liability	7,854,775	2,523,252	2,535,778	7,842,249	-
	$ 15,685,362	$ 2,569,260	$ 2,748,308	$ 15,506,314	$ 151,269

For the Future

The District's revenue is highly dependent on student enrollment. The level of the State's per pupil rate is unknown for the future. Without an increase to the rate, the District could deficit spend to offset increases in salaries and student needs; however, if enrollment increases, the District could maintain a balanced budget. Renovations to the Elementary School are being investigated due to the lack of space and the increasing enrollment in the elementary grades. In addition, the District's Building Fund may be used for improvements that are needed at the high school athletic complex.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Dawn Hauck, Business Manager, Rugby Public School District, 1123 South Main Ave, Rugby, ND 58368, or email at dawn.hauck@k12.nd.us

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS		
Current Assets		
Cash and Investments	$	5,942,256
Taxes Receivable, Net		261,849
Due from State		32,197
Total Current Assets		6,236,302
Non-Current Assets		
Capital Assets		
Land and Improvements		710,715
Buildings		14,961,492
Equipment and Furniture		718,885
Vehicles		147,493
Less: Accumulated Depreciation		(6,113,971)
Total Capital Assets		10,424,614
TOTAL ASSETS		16,660,916
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		1,028,126
Cost Sharing Defined Benefit Pension Plan - NDPERS		559,273
Cost Sharing Defined Benefit OPEB Plan - NDPERS		12,832
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,600,231
LIABILITIES		
Accounts Payable		27,291
Payroll Deductions		109,274
Interest Payable		70,114
Early Retirement Due Within One Year		14,000
Special Assessments Due Within One Year		12,269
Bonds Payable Due Within One Year		125,000
Total Current Liabilities		357,948
Non-Current Liabilities		
Special Assessments (Net of Current Maturities)		61,341
Bonds Payable (Net of Current Maturities)		7,374,090
Early Retirement (Net of Current Maturities)		14,000
Compensated Absences		13,442
Net OPEB Liability		49,923
Net Pension Liability		7,842,249
Total Non-Current Liabilities		15,355,045
TOTAL LIABILITIES		15,712,993
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		144,639
Cost Sharing Defined Benefit Pension Plan - NDPERS		72,496
Cost Sharing Defined Benefit OPEB Plan - NDPERS		3,383
TOTAL DEFERRED INFLOWS OF RESOURCES		220,518
NET POSITION		
Net Investment in Capital Assets		2,925,524
Restricted for Capital Projects		155,844
Restricted for Debt Service		3,831,414
Unrestricted		(4,585,146)
TOTAL NET POSITION	$	2,327,636

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Primary Government				
Governmental Activities				
Instruction:				
Regular	$ 3,679,871	$ 67,403	$ 238,017	$ (3,374,451)
Special Education	636,675	8,989	-	(627,686)
Vocational Education	381,456	-	61,713	(319,743)
Total Instruction	4,698,002	76,392	299,730	(4,321,880)
Support Services:				
Pupil Services	447,875	-	-	(447,875)
Instructional Staff Services	338,596	-	-	(338,596)
General Administration Services	414,646	-	-	(414,646)
School Administration Services	354,514	-	-	(354,514)
Business Services	124,116	-	-	(124,116)
Operations and Maintenance	578,961	-	-	(578,961)
Pupil Transportation Services	512,872	-	244,819	(268,053)
Extracurricular Activities	365,776	8,718	-	(357,058)
Food Services	397,088	230,366	175,009	8,287
Interest on Long-Term Debt	380,006	-	-	(380,006)
Total Support Services	3,914,450	239,084	419,828	(3,255,538)
Total Governmental Activities	$ 8,612,452	$ 315,476	$ 719,558	(7,577,418)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	2,264,177
Property Taxes, Levied for Debt Service	722,773
Property Taxes, Levied for Capital Projects	139,495
State Aid Not Restricted For Specific Purpose	
Per Pupil Aid	4,398,848
Federal Aid Not Restricted For Specific Purpose	
Other Federal Aid	295,416
Investment Income (Loss) and Other Revenues	(32,845)
Total General Revenues	7,787,864
Change in Net Position	210,446
Net Position - Beginning	2,159,441
GASB 75 Adjustment - See Note 16	(42,251)
Net Position - Beginning as Restated	2,117,190
Net Position - Ending	$ 2,327,636

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Food Service	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	$ 1,930,513	$ 20,656	$ 148,155	$ 3,842,932	$ 5,942,256
Taxes Receivable, Net	191,501	-	11,752	58,596	261,849
Due from State	32,197	-	-	-	32,197
TOTAL ASSETS	$ 2,154,211	$ 20,656	$ 159,907	$ 3,901,528	$ 6,236,302
LIABILITIES					
Accounts Payable	$ 23,228	$ -	$ 4,063	$ -	$ 27,291
Payroll Deductions	108,936	338	-	-	109,274
TOTAL LIABILITIES	132,164	338	4,063	-	136,565
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	95,804	-	6,485	30,875	133,164
TOTAL DEFERRED INFLOWS OF RESOURCES	95,804	-	6,485	30,875	133,164
FUND BALANCES:					
Restricted for Capital Projects	-	-	149,359	-	149,359
Restricted for Debt Service	-	-	-	3,870,653	3,870,653
Assigned for Food Service	-	20,318	-	-	20,318
Unassigned	1,926,243	-	-	-	1,926,243
TOTAL FUND BALANCES	1,926,243	20,318	149,359	3,870,653	5,966,573
TOTAL LIABILITIES AND FUND BALANCES	$ 2,154,211	$ 20,656	$ 159,907	$ 3,901,528	$ 6,236,302

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance, governmental funds		$5,966,573
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore, are not reported as net assets in government funds:		
Cost of Capital Assets	$ 16,538,585	
Less: Accumulated Depreciation	(6,113,971)	
Net		10,424,614
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		1,379,713
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds.		133,164
Bond discounts that are amortized over the life of the debt issue.		40,910
Long-term liabilities, including special assessments, are not due and payable in the current period and therefore, are not recorded as liabilities in the governmental funds.		
Bonds Payable		(7,540,000)
Special Assessments		(73,610)
Compensated Absences		(13,442)
Early Retirement		(28,000)
Net OPEB Liability		(49,923)
Net Pension Liability		(7,842,249)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(70,114)
Net position of governmental activities in the Statement of Net Position		$2,327,636

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Food Service	Capital Projects Fund	Debt Service	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 2,233,042	$ -	$ 137,382	$ 712,714	$ 3,083,138
Other Local and County Revenues	57,271	230,366	29,852	-	317,489
Revenue from State Sources	4,747,342	2,266	-	-	4,749,608
Revenue from Federal Sources	194,042	172,743	-	295,416	662,201
Gain/(Loss) on Fair Value Investments	-	-	-	(36,669)	(36,669)
Interest	2,397	-	8	1,419	3,824
TOTAL REVENUES	7,234,094	405,375	167,242	972,880	8,779,591
EXPENDITURES					
Current:					
Regular Instruction	2,968,103	-	-	-	2,968,103
Special Education	636,675	-	-	-	636,675
Vocational Education	381,456	-	-	-	381,456
Pupil Services	447,875	-	-	-	447,875
Instructional Staff Services	336,186	-	-	-	336,186
General Administration Services	400,947	-	-	11,667	412,614
School Administration Services	354,514	-	-	-	354,514
Business Services	124,116	-	-	-	124,116
Operations and Maintenance	564,642	-	7,236	-	571,878
Pupil Transportation Services	504,949	-	-	-	504,949
Extracurricular	362,713	-	-	-	362,713
Food Service	-	393,230	-	-	393,230
Capital Outlays:	-	6,058	107,994	-	114,052
Debt Service:					
Principal Retirement	63,467	-	6,804	125,000	195,271
Interest and Fees on Long-Term Debt	1,694	-	3,435	375,030	380,159
TOTAL EXPENDITURES	7,147,337	399,288	125,469	511,697	8,183,791
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	86,757	6,087	41,773	461,183	595,800
OTHER FINANCING SOURCES (USES)					
Transfers In	-	9,917	-	-	9,917
Transfers Out	(9,917)	-	-	-	(9,917)
TOTAL OTHER FINANCING SOURCES (USES)	(9,917)	9,917	-	-	-
NET CHANGE IN FUND BALANCES	76,840	16,004	41,773	461,183	595,800
FUND BALANCE - BEGINNING OF YEAR	1,849,403	4,314	107,586	3,409,470	5,370,773
FUND BALANCE - END OF YEAR	$ 1,926,243	$ 20,318	$ 149,359	$ 3,870,653	$ 5,966,573

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5

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

FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds:		$ 595,800
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 114,052	
Depreciation Expense	(386,861)	(272,809)
Changes in deferred outflows and inflows of resources related to net pension liability		(335,063)
Change in net OPEB liability		189
Change in net pension liability		12,526
Governmental funds report the effects of premiums, discounts, and similar items when debt is first issued. In contrast, these amounts are deferred and amortized in the Statement of Activities. This is the amount of current year amortization of bond discounts.		(5,464)
Changes in special assessments		12,268
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:		
Early Retirement		(28,000)
Compensated Absences		(928)
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:		
Net change in unavailable property taxes		43,307
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		188,457
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased by $163		163
Change in net position of governmental activities		$ 210,446

See Notes to the Financial Statements

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUND
JUNE 30, 2018

ASSETS	
Cash and cash equivalents	$ 160,719
Total assets	$ 160,719
LIABILITIES	
Due to students	$ 160,719
Total liabilities	$ 160,719

See Notes to the Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Rugby Public School District No. 5 operates the public schools in the City of Rugby, North Dakota. The District's basic financial statements include the accounts of all of the District's operations.

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

Based on the above criteria, there are no component units included in the District’s reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements:

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

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

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

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

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

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. Nonmajor 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 and inflows of resources, and liabilities. 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.
>
> **Food Service:**
> This fund accounts for the financial resources associated with the District's hot lunch program.
>
> **Capital Projects:**
> This fund accounts for the financial resources associated with the District's capital projects.
>
> **Debt Service:**
> This fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the District reports the following funds:

Fiduciary Funds:

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

Student Activity Fund:
This 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 inflows and outflows of resources, and liabilities associated with the operations of the District are included in the Statement of Net Position.

Fund Financial Statements:

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

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to these differences, 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.

Basis of Accounting:

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

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

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

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

Revenues-Exchange and Non-Exchange Transactions:

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

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

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

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

Unearned Revenues:

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

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

Expenses and Expenditures:

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

Budgets and Budgetary Accounting:

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

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 10 of each year. The budget is then filed with the county auditor by August 25 of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Cash and Cash Equivalents:

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

Investments:

Investments are certificates of deposit with maturities of more than three months and federal agency bonds. North Dakota state statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

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

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

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

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their fair market values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land is capitalized but is not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Land Improvements	15 to 20 years
Buildings	20 to 50 years
Equipment and Furniture	5 to 20 years
Vehicles	8 years

Accrued Liabilities and Long-Term Obligations:

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

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR), information about the fiduciary net position of NDPERS Other Postemployment Benefit Plan (OPEB) and additions to/deductions from NDPERS and TFFR's fiduciary net position and NDPERS OPEB 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.

Fund Balance Classifications:

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

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items. The District does not have any fund balance classified as nonspendable.

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

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education. The District does not have any fund balance classified as committed.

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

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

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

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

The District has classified the spendable fund balances as Restricted, Assigned, and Unassigned and considers each to have been spent when expenditures are incurred.

Net Position:

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources, and liabilities. Net investment in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt, net of unamortized discounts, associated with the purchase or construction of the related asset. Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose 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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the TFFR and NDPERS pension plans and NDPERS OPEB plan as well as contributions to the plan made after the measurement date.

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

Other Post-Employment Benefits (OPEB):

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

Inter-fund Activity:

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

Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and are either unusual in nature or infrequent in occurrence.

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.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2018.

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

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

Significant Group Concentrations of Credit Risk:

As of June 30, 2018, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

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

At June 30, 2018, the carrying amount of the District's deposits was $2,464,192 and the bank balance was $2,534,056. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

As of June 30, 2018, the District had the following investments and maturities:

					Fair Value Measurements Using		
	6/30/2018	Less than One Year	1-5 Years	6-10 Years	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level							
Cash & Cash Alternatives							
Cash and Money Market	$ 236,124	$ 236,124	$ -	$ -	$ 236,124	$ -	$ -
Debt Securities							
Federal National Mortgage Assn	314,760	95,563	120,862	98,335	-	314,760	-
Federal Home Loan Bank	190,235	-	95,919	94,316	-	190,235	-
Federal Farm Credit Bank	724,836	-	191,530	533,306	-	724,836	-
United States Treasury Strips	968,421	-	-	968,421	-	968,421	-
United States Treasury Notes	323,360	-	-	323,360	-	323,360	-
Federal Home Loan Mortgage Corp	881,047	-	-	881,047	-	881,047	-
Total Investments by Fair Value Level	$ 3,638,783	$ 331,687	$ 408,311	$ 2,898,785	$ 236,124	$ 3,402,659	$ -

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices that are observable for the investment, either directly or indirectly. All investments are rated AAA by Moody's.

Credit Risk

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

a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.

b. Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.

c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

d. Obligations of the state.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

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

	Balance 7/1/2017	Additions	Deductions	Balance 6/30/2018
Capital Assets Not Being Depreciated:				
Land	$ 103,719	$ -	$ -	$ 103,719
Total Capital Assets Not Being Depreciated	103,719	-	-	103,719
Capital Assets Being Depreciated:				
Land Improvements	606,996	-	-	606,996
Buildings and Improvements	14,912,760	48,732	-	14,961,492
Equipment and Furniture	669,953	65,320	16,388	718,885
Vehicles	147,493	-	-	147,493
Total Capital Assets Being Depreciated	16,337,202	114,052	16,388	16,434,866
Less Accumulated Depreciation				
Land Improvements	339,945	31,138	-	371,083
Buildings and Improvements	4,751,957	311,232	-	5,063,189
Equipment and Furniture	562,207	36,568	16,388	582,387
Vehicles	89,389	7,923	-	97,312
Total Accumulated Depreciation	5,743,498	386,861	16,388	6,113,971
Total Capital Assets Being Depreciated, Net	10,593,704	(272,809)	-	10,320,895
Net Capital Assets for Governmental Activities	$ 10,697,423	$ (272,809)	$ -	$ 10,424,614

In the governmental activities section of the Statement of Activities, depreciation was charged to expenses in the following governmental functions:

Depreciation	
Regular	$348,238
General administration	2,032
Operations and maintenance	7,083
Pupil transportation	7,923
Extracurricular	3,063
Food services	3,858
Unallocated	12,254
Instructional	2,410
Total	$386,861

NOTE 5 LONG-TERM DEBT OBLIGATIONS

As of June 30, 2018, long-term debt consists of special assessments, Qualified School Construction Bonds (QSCB), bonds issued to upgrade the District's heating, ventilation, and air-conditioning systems (HVAC bonds), bonds issued to finance construction and repairs of public school buildings (2013 Bonds), loans for purchase of vehicles, net pension liability and net OPEB liability.

Special Assessments - The District is in the process of paying off several special assessments to the City of Rugby.

Qualified School Construction Bonds – These bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the District are pledged. The proceeds of the bonds will be used for the purpose of financing the cost of construction, reconstruction, improvement, equipping, and repair of the public school buildings. The federal government will reimburse a percentage of interest payments and the bonds will be repaid when the sinking fund levy reaches the amount of the bonds. The District is accumulating funds in the debt service fund in order to pay the balloon payment due in fiscal year 2025.

HVAC Bonds – These bonds are special obligations of the District payable solely from a special levy. The proceeds of the bonds will be used for the purpose of financing HVAC improvements, asbestos abatement and required ancillary systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers, Inc. standards for the Rugby High School.

2013 Bonds – The proceeds of the bonds are to be used for the purpose of providing funds to finance the cost of the construction, reconstruction, improvement, equipping and repair of the public school buildings including energy efficiency improvements.

Bremer Loan - The proceeds of the loan were used for the purchase of two vehicles to meet the school's transportation needs.

Information on the long-term debt individual issues as of June 30, 2018 is as follows:

	Interest Rate	Issue Date	Maturity Date	Amount Outstanding
Qualified School Construction Bonds	5.40%	8/12/2010	5/1/2025	$6,000,000
HVAC Limited Tax Bonds, Series 2011	1.50% - 4.00%	5/4/2011	5/1/2026	700,000
Limited Tax Bonds, Series 2013	0.75% - 3.25%	2013	8/1/2026	840,000
Special Assessments				
Parcel 09340000 Dist 1-09	4.00%	2011	2024	5,689
Parcel 10038000 Dist 1-09	4.00%	2011	2024	38,461
Parcel 10586000 Dist 1-09	4.00%	2011	2024	29,155
Parcel 08423000 Dist 1-09	4.00%	2011	2024	306
				$7,613,611

Long-term debt activity for the year ended June 30, 2018 is summarized as follows:

	Restated Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
Qualified School Construction Bonds	$ 6,000,000	$ -	$ -	$ 6,000,000	$ -
Bond Discount	(46,374)	-	(5,464)	(40,910)	-
HVAC Limited Tax Bonds, Series 2011	775,000	-	75,000	700,000	75,000
Limited Tax Bonds, Series 2013	890,000	-	50,000	840,000	50,000
Bremer Loan	32,931	-	32,931	-	-
2014 State Aid Anticipation Certificate of Indebtedness	30,526	-	30,526	-	-
Special Assessments	85,878	-	12,268	73,610	12,269
Early Retirement	-	28,000	-	28,000	14,000
Compensated Absences	12,514	928	-	13,442	-
Net OPEB Liability	50,112	17,080	17,269	49,923	-
Net Pension Liability	7,854,775	2,523,252	2,535,778	7,842,249	-
	$ 15,685,362	$2,569,260	$2,748,308	$15,506,314	$ 151,269

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2018 are as follows:

Qualified School Construction Bonds

Fiscal Year	Principal	Interest	IRS Subsidy	Total
2019	$ -	$ 324,000	$ (295,000)	$ 29,000
2020	-	324,000	(295,000)	29,000
2021	-	324,000	(295,000)	29,000
2022	-	324,000	(295,000)	29,000
2023	-	324,000	(295,000)	29,000
2024-2028	6,000,000	648,000	(590,000)	6,058,000
Total	$ 6,000,000	$ 2,268,000	$ (2,065,000)	$ 6,203,000

Limited Tax Bonds, Series 2013

Fiscal Year	Principal	Interest	Total
2019	$ 50,000	$ 23,690	$ 73,690
2020	55,000	22,640	77,640
2021	55,000	21,540	76,540
2022	50,000	20,240	70,240
2023	55,000	18,665	73,665
2024-2028	405,000	65,493	470,493
2029-2031	170,000	2,762	172,762
Total	$ 840,000	$ 175,030	$ 1,015,030

HVAC Limited Tax Bonds, Series 2011

Fiscal Year	Principal	Interest	Total
2019	$ 75,000	$ 24,503	$ 99,503
2020	80,000	22,440	102,440
2021	85,000	20,240	105,240
2022	85,000	17,350	102,350
2023	90,000	14,460	104,460
2024-2028	285,000	23,200	308,200
Total	$ 700,000	$ 122,193	$ 822,193

Special Assessments

Fiscal Year	Principal	Interest	Total
2019	$ 12,269	$ 2,944	$ 15,213
2020	12,269	2,454	14,723
2021	12,269	1,963	14,232
2022	12,269	1,472	13,741
2023	12,269	981	13,250
2024-2028	12,268	491	12,759
Total	$ 73,611	$ 10,305	$ 83,916

NOTE 6 FUND BALANCE

A. Classifications

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

	Capital Projects Fund	Debt Service Fund	Total
Restricted for:			
Capital Projects	$ 149,359	$ -	$ 149,359
Debt Service	-	3,870,653	3,870,653
Total Restricted	$ 149,359	$ 3,870,653	$ 4,020,012

Restricted fund balances reflect resources restricted for statutorily defined purposes not accounted for in a separate fund. At June 30, 2018, there were the following accounts:

Restricted for Debt Service:

This account represents funds held by the School District available to service long-term debt.

Restricted for Capital Projects:

This account represents funds held by the School District available to pay for Building projects.

B. Minimum Fund Balance Policy

The Board of Education has not formally adopted a fund balance policy for the General Fund, however, the Board tries to maintain a fund balance of not less than 10% of the General Fund's current annual operating expenditure budget

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by the Teacher’s Fund for Retirement (TFFR) or the North Dakota Public Employees Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

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

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

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. Although this footnote only includes the required contribution by the District, the District is also currently contributing the employee share. 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 Costs

At June 30, 2018, the District reported a liability of $6,767,204 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 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 July 1, 2017, the Employer's proportion was 0.492689 percent which was a decrease of 0.002340 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Employer recognized pension expense of $634,435. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 25,957	$ 73,873
Changes in actuarial assumptions	482,341	-
Difference between projected and actual investment earnings	93,474	-
Changes in proportion	-	70,766
Contributions paid to TFFR subsequent to the measurement date	426,354	-
Total	$ 1,028,126	$ 144,639

$426,354 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 ending June 30:	Pension Expense Amount
2019	$ 99,814
2020	246,434
2021	154,635
2022	(6,413)
2023	(25,689)
Thereafter	(11,648)

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 were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for TFFR.

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.70%
Global Fixed Income	23.00%	0.80%
Global Real Assets	18.00%	5.20%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
District's proportionate share of the TFFR net pension liability:	$ 8,997,118	$ 6,767,204	$ 4,910,868

Pension Plan Fiduciary Net Position

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

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.

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). 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.

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 covered compensation. 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 25 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 District reported a liability of $1,075,045 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 District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.066884 percent, which was an increase of 0.005082 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $164,173. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 6,390	$ 5,238
Changes in actuarial assumptions	440,841	24,247
Difference between projected and actual investment earnings	14,458	-
Changes in proportion	47,640	43,011
Contributions paid to NDPERS subsequent to the measurement date	49,944	-
Total	$ 559,273	$ 72,496

$49,944 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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 ending June 30:	Pension Expense Amount
2019	$ 95,165
2020	115,004
2021	99,862
2022	78,772
2023	48,030

Actuarial Assumptions

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

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.05%
International Equity	21.00%	6.70%
Private Equity	5.00%	10.20%
Domestic Fixed Income	17.00%	1.43%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.16%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 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 in Discount Rate	Discount Rate	1% Increase in Discount Rate
	5.44%	6.44%	7.44%
District's proportionate share of the NDPERS net pension liability:	$ 1,459,407	$ 1,075,045	$ 755,273

Pension Plan Fiduciary Net Position

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

NOTE 8 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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.

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

At June 30, 2018, the District reported a liability of $49,923 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 District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the District's proportion was 0.063113 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $5,975. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,218
Changes of assumptions	4,835	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,888
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	277
District contributions subsequent to the measurement date	7,997	-
Total	$ 12,832	$ 3,383

$7,997 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

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

Year Ending June 30:	
2019	$ 51
2020	51
2021	51
2022	51
2023	523
2024	523
Thereafter	202

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	37.00%	5.80%
Small Cap Domestic Equities	9.00%	7.05%
International Equities	14.00%	6.20%
Core-Plus Fixed Income	40.00%	1.56%

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 percent, 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
District's proportionate share of the net OPEB liability	$ 62,498	$ 49,923	$ 39,144

Pension Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

Rugby Public School District No. 5 is exposed to various risks 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, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses on one million dollars per occurrence.

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

The District participates in the North Dakota Worker’s Compensation Bureau and purchases commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal periods.

NOTE 10 NONMONETARY TRANSACTIONS

The District received food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2018 was $27,341.

NOTE 11 EXPENDITURES IN EXCESS OF APPROPRIATIONS

The General Fund had actual expenditures in excess of budgeted appropriations in the amount of $16,863 for the year ended June 30, 2018.

The Food Service fund had actual expenditures in excess of budgeted appropriations in the amount of $48,220 for the year ended June 30, 2018.

The Debt Service fund had actual expenditures in excess of budgeted appropriations in the amount of $11,667 for the year ended June 30, 2018.

NOTE 12 CONTINGENT LIABILITIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. The District's management believes it has complied in all material respects with all applicable grant provisions. In the opinion of management, any possible disallowed claims would not have a material adverse effect on the overall financial position of the District as of June 30, 2018.

NOTE 13 COMMITMENTS

The District has a contract with Hartley's School Bus Service to provide rural route, activities, and winter in-city transportation for students in grades K-12. The term of the contract is from August 19, 2016 through the last day of the 2021-22 school year. The District pays for these services on a per-route or per-mile basis, with periodic adjustments for cost of living increases and fuel price changes. Transportation fees paid under this contract for the year ended June 30, 2018 totaled $413,100.

NOTE 14 TRANSFERS

The transfers as of June 30, 2018 consist of the following:

Transfers In	Transfers Out	Amount
Food Service Fund	General Fund	$ 9,917

The transfer was made to support the Food Service Fund for food service expenses exceeding revenues.

NOTE 15 NEW PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. 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.

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

NOTE 16 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* As a result, beginning net position has been restated to reflect the related net OPEB liability and deferred outflows of resources as of July 1, 2017 as follows:

Net Position July 1, 2017 as Previously Reported	$ 2,159,441
Restatement for OPEB Accounting:	
Net OPEB Liability	(50,112)
OPEB related Deferred Outflows of Resources	7,861
Net Position July 1, 2017 as Restated	$ 2,117,190

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through September 14, 2018, which is the date these financial statements were available to be issued.

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property Taxes	$ 2,117,049	$ 2,233,042	$ 115,993
Other Local Sources	50,800	57,271	6,471
State Sources	4,714,567	4,747,342	32,775
Federal Sources	223,665	194,042	(29,623)
Interest	1,500	2,397	897
Total Revenues	7,107,581	7,234,094	126,513
EXPENDITURES			
Instruction:			
Regular	2,975,587	2,968,103	7,484
Special Education	631,949	636,675	(4,726)
Vocational Education	378,320	381,456	(3,136)
Total Instruction	3,985,856	3,986,234	(378)
Support Services:			
Pupil Services	470,050	447,875	22,175
Instructional Staff Services	369,573	336,186	33,387
General Administration Services	440,232	400,947	39,285
School Administration Services	363,160	354,514	8,646
Business Services	120,184	124,116	(3,932)
Operations and Maintenance	532,070	564,642	(32,572)
Pupil Transportation Services	513,634	504,949	8,685
Extracurricular	335,715	362,713	(26,998)
Debt Service	-	65,161	(65,161)
Total Support Services	3,144,618	3,161,103	(16,485)
Total Expenditures	7,130,474	7,147,337	(16,863)
Excess (Deficiency) of Revenues Over Expenditures	(22,893)	86,757	109,650
OTHER FINANCING USES			
Transfers Out	(25,000)	(9,917)	(15,083)
Total Other Financing Uses	(25,000)	(9,917)	(15,083)
Net Change in Fund Balances	(47,893)	76,840	(124,733)
Fund Balances - Beginning	1,849,403	1,849,403	-
Fund Balances - Ending	$ 1,801,510	$ 1,926,243	$ (124,733)

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Other Local Sources	$ 202,119	$ 230,366	$ 28,247
State Sources	1,800	2,266	466
Federal Sources	120,000	172,743	52,743
Total Revenues	323,919	405,375	81,456
EXPENDITURES			
Support Services:			
Food Service	345,068	393,230	(48,162)
Capital Outlays	6,000	6,058	(58)
Total Support Services	351,068	399,288	(48,220)
Total Expenditures	351,068	399,288	(48,220)
Excess (Deficiency) of Revenues Over Expenditures	(27,149)	6,087	33,236
OTHER FINANCING SOURCES			
Transfers In	25,000	9,917	(15,083)
Total Other Financing Sources	25,000	9,917	(15,083)
Net Change in Fund Balances	(2,149)	16,004	18,153
Fund Balance - Beginning	4,314	4,314	-
Fund Balance - Ending	$ 2,165	$ 20,318	$ 18,153

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	$ 426,354	$ (426,354)	-	$ 3,343,949	12.75%
2017	424,292	(424,292)	-	3,327,781	12.75%
2016	410,724	(410,724)	-	3,221,363	12.75%
2015	392,295	(392,295)	-	3,084,775	12.72%

North Dakota Public Employees Retirement System

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2018	$ 49,944	$ (49,944)	-	$ 701,459	7.12%
2017	49,094	(49,094)	-	689,517	7.12%
2016	56,447	(56,447)	-	683,375	8.26%
2015	52,383	(52,383)	-	634,173	8.26%

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

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS

North Dakota Public Employees Retirement System – OPEB

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
2018	$ 7,997	$ 7,997	$ -	$ 701,459	1.14%

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.4926886%	$ 6,767,204	$ 3,325,507	203.49%	63.20%
2017	0.4950282%	7,252,454	3,216,322	225.49%	59.20%
2016	0.5000360%	6,539,747	3,075,745	212.62%	62.10%
2015	0.5007200%	5,246,658	3,084,775	170.08%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.066884%	$ 1,075,045	$ 682,780	157.45%	61.98%
2017	0.061802%	602,321	622,814	96.71%	70.46%
2016	0.071171%	483,951	634,043	76.33%	77.15%
2015	0.063320%	421,023	558,762	75.35%	77.70%

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

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

See Notes to the Required Supplementary Information

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS

North Dakota Public Employees Retirement System – OPEB

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District'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	0.0631%	$ 49,923	$ 682,780	7.31%	59.78%

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

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in an amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures in excess of budgeted expenditures by $16,863. The Food Service fund also had actual expenditures in excess of budgeted expenditures by $48,220.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 10th of each year. The budget is then filed with the county auditor by August 25th of each year.

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

NOTE 2 CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2017 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

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.

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.

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property Taxes	$ 133,291	$ 137,382	$ 4,091
Other Local Sources	17,000	29,852	12,852
Interest	200	8	(192)
Total Revenues	150,491	167,242	16,751
EXPENDITURES			
Support Services:			
Operations and Maintenance	-	7,236	(7,236)
Capital Projects	118,404	107,994	10,410
Debt Service:			
Principal	8,400	6,804	1,596
Interest	-	3,435	(3,435)
Total Support Services	126,804	125,469	1,335
Total Expenditures	126,804	125,469	1,335
Excess (Deficiency) of Revenues Over Expenditures	23,687	41,773	18,086
Net Change in Fund Balances	23,687	41,773	18,086
Fund Balance - Beginning	107,586	107,586	-
Fund Balance - Ending	$ 131,273	$ 149,359	$ 18,086

RUGBY PUBLIC SCHOOL DISTRICT NO. 5
BUDGETARY COMPARISON SCHEDULE OF THE DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property Taxes	$ 697,595	$ 712,714	$ 15,119
Federal Sources	290,000	295,416	5,416
Other Sources - Investment Earnings	-	(36,669)	(36,669)
Interest	-	1,419	1,419
Total Revenues	987,595	972,880	(14,715)
EXPENDITURES			
Support Services:			
General Administration Services	-	11,667	(11,667)
Debt Service:			
Principal	125,000	125,000	-
Interest	375,030	375,030	-
Total Debt Service	500,030	511,697	(11,667)
Total Expenditures	500,030	511,697	(11,667)
Excess (Deficiency) of Revenues Over Expenditures	487,565	461,183	(26,382)
Net Change in Fund Balances	487,565	461,183	(26,382)
Fund Balance - Beginning	3,409,470	3,409,470	-
Fund Balance - Ending	$ 3,897,035	$ 3,870,653	$ (26,382)

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To The President and Board Members
Rugby Public School District No. 5
Rugby, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Rugby Public School District No. 5 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Rugby Public School District No. 5's basic financial statements, and have issued our report thereon dated September 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rugby Public School District No. 5's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rugby Public School District No. 5's internal control. Accordingly, we do not express an opinion on the effectiveness of Rugby Public School District No. 5'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

Rugby Public School District No. 5's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Rugby Public School District No. 5's responses were not subject 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

September 14, 2018

2018-001 Finding

Criteria
To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition
The District has one employee who is responsible for all accounting functions involved. The employee has access to all income monies, receipt documents, issuance of checks, and bank statements and reconciliations. The employee also maintains the general ledger. Considering the size of the entity, it is not feasible to obtain proper separation of duties and the degree of internal control is limited.

Cause
There is only one business manager and due to the District's size, they are unable to hire more staff.

Effect
Lack of segregation of duties leads to a limited degree of internal control.

Recommendation
The District should separate the duties when it becomes feasible.

Management's Response
The Superintendent reviews and signs off on all bank statements and reconciliations. The Superintendent also reviews and signs off on the payroll direct deposit report prior to releasing payroll to individual's accounts. Procedures have been implemented when feasible to promote the segregation of duties. Funds are counted by individuals in charge of the account prior to being given to the Business Manager or Executive Administrative Assistant to receipt and deposit at the financial institutions. The Board reviews and approves all checks written.

2018-002 Finding

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

Condition
The District's auditors prepared the financial statements as of June 30, 2018. In addition, adjusting entries were proposed to bring the financial statements into compliance with GAAP. An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America (GAAP).

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

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

Recommendation
For entities of the District's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. The District should establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.

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