

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS (UNAUDITED)
JUNE 30, 2018

Karl Lembke	President
Heidi Delorme	Vice President
Matt Sagsveen	Board Member
Rick Geloff	Board Member
Jon Lee	Board Member
Tamara Uselman	Superintendent (through June 30)
Jim Haussler	Superintendent (current)
Fran Rodenburg	Elementary Assistant Superintendent (through June 30)
Brad Barnhardt	Elementary Assistant Superintendent (current)
Ben Johnson	Secondary Assistant Superintendent
Darin Scherr	Business and Operations Manager



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the School Board
Bismarck Public School District No. 1
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bismarck Public School District No. 1'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 aggregate remaining fund information of Bismarck Public School District No. 1, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 2 and 19 to the financial statements, Bismarck Public School District No. 1 adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is 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, schedules of employer's proportionate share of net pension liability, schedules of employer contributions - pension, schedule of employer's share of net OPEB liability, schedule of employer contributions - OPEB, and notes to required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bismarck Public School District No. 1's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards 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 combining and individual non-major fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of school officials 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 this schedule.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018 on our consideration of Bismarck Public School District No. 1'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 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 Bismarck Public School District No. 1's internal control over financial reporting and compliance.



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

November 19, 2018

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018

This Management's Discussion and Analysis (MD&A) of Bismarck Public District No. 1's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018, with comparative data for the fiscal year ended June 30, 2017.

The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes to the financial statements.

Financial Highlights

Key financial highlights for fiscal year 2017-18 are as follows:

- Net position of the District increased \$3,242,140 a result of the current year's operations.
- Governmental net position totaled \$1,875,715.
- Total revenues from all sources were \$186,133,416 and total expenditures were \$182,891,276.
- The District's general fund had \$162,347,551 in total revenues and other financing sources and \$157,353,458 in expenditures resulting in a net change in fund balances of \$4,994,093 for the year ended June 30, 2018.
- The unassigned general fund balance was \$18,739,288 as of June 30, 2018. This balance represents 11.92% of total general fund expenditures for the year. The unassigned general fund balance increased by \$4,994,093 from July 1, 2017.

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 Bismarck Public District No. 1 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 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 presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2018

The Statement of Net Position presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused sick leave and vacation leave).

These two statements report the District's net position and changes in those assets. 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.

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 District's Most Significant Funds

Balance Sheet - Governmental Funds

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund and building fund are considered to be "major funds." The District's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Non-Major Governmental Funds."

Financial Analysis of the District as a Whole

Table I provides a summary of the District's net position as of June 30, 2018, with comparative data for the fiscal year ended June 30, 2017.

As indicated in the financial highlights, the District's net position increased by \$3,242,140 for the year ended June 30, 2018. Net position may serve over time as a useful indicator of the District's financial position.

The District's net positions are segregated into three separate categories. Net position invested in Capital Assets (net of related debt) increased \$2,941,529. It should be noted that these assets are not available for future spending. Restricted net position increased \$3,963,801. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position decreased \$5,187,623, which included an opening adjustment of \$1,524,433 to implement GASB 75. The unrestricted net position is available to meet the District's ongoing obligations.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2018

Table I
Net Position

	6/30/18	6/30/17*
ASSETS		
Current assets	\$ 66,422,011	\$ 47,500,117
Capital assets (net of accumulated depreciation)	235,427,025	207,916,444
Total assets	301,849,036	255,416,561
DEFERRED OUTFLOWS OF RESOURCES	44,652,790	45,965,931
LIABILITIES		
Current liabilities (exc. bonds payable, capital lease payable and compensated absences)	27,939,452	24,372,783
Bonds payable	106,069,318	77,773,465
Note payable	10,799,284	8,622,076
Special assessments payable	2,962,013	3,162,639
Net pension liability	187,092,336	180,183,182
Net OPEB liability	1,805,410	-
Long-term liabilities (exc. bonds and note payable and net pension liability)	3,740,434	3,654,771
Total liabilities	340,408,247	297,768,916
DEFERRED INFLOWS OF RESOURCES	4,217,864	3,455,568
NET POSITION		
Net investment in capital assets	127,202,126	124,260,597
Restricted for debt service, capital projects and career and technical education	8,097,457	4,133,656
Unrestricted	(133,423,868)	(128,236,245)
TOTAL NET POSITION	\$ 1,875,715	\$ 158,008

* Does not show the effects of GASB 75 implementation for net OPEB liability.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2018

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

Table II
Changes in Net Position

	<u>2017-2018</u>	<u>2016-2017*</u>
REVENUES		
Program revenues		
Charges for services	\$ 6,430,323	\$ 5,972,272
Operating grants and contributions	18,427,706	15,434,120
General revenues		
Property taxes	48,784,845	43,907,895
State aid - unrestricted	111,622,131	112,636,656
Interest earnings and miscellaneous revenue	868,411	1,969,500
Total revenues	<u>186,133,416</u>	<u>179,920,443</u>
EXPENSES		
Regular instruction	91,379,085	97,617,873
Special education	28,751,752	26,874,009
Career and technical education	6,958,370	6,644,153
District wide services	16,109,409	14,058,936
School food services	6,887,264	6,276,922
Operations and maintenance	14,590,946	11,519,751
Student transportation	4,975,459	4,490,733
Co-curricular activities	5,013,075	5,201,052
Other	4,317,732	1,745,553
Debt service	3,908,184	2,863,646
Total expenses	<u>182,891,276</u>	<u>177,292,628</u>
Change in net position	<u>3,242,140</u>	<u>2,627,815</u>
Total net position, beginning of year, as previously reported	158,008	-
GASB 75 implementation	(1,524,433)	-
Total net position, beginning of year	<u>(1,366,425)</u>	<u>(2,469,807)</u>
Net position - ending	<u>\$ 1,875,715</u>	<u>\$ 158,008</u>

* Does not show the effects of GASB 75 implementation for net OPEB liability.

Unrestricted state aid constituted 60%, property taxes 26%, operating grants and contributions 10%, and charges for services 4% of the total revenues of governmental activities of the District for fiscal year 2018.

Regular instruction comprised 50%, special education 16%, and career and technical education 4% of total expenditures for governmental activities for fiscal year 2018.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2018

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

Table III
Total and Net Cost of Services

	<u>Year Ended 6/30/18</u>		<u>Year Ended 6/30/17*</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Regular instruction	\$ 91,379,085	\$ 87,304,303	\$ 97,617,873	\$ 94,291,133
Special education	28,751,752	20,150,358	26,874,009	20,161,727
Career and technical education	6,958,370	5,096,924	6,644,153	5,316,154
District wide services	16,109,409	15,625,562	14,058,936	12,693,813
School food services	6,887,264	(547,677)	6,276,922	(72,977)
Operations and maintenance	14,590,946	14,590,946	11,519,751	11,519,751
Student transportation	4,975,459	4,975,459	4,490,733	4,490,733
Co-curricular activities	5,013,075	4,384,265	5,201,052	4,537,049
Other	4,317,732	2,544,923	1,745,553	85,207
Debt service	3,908,184	3,908,184	2,863,646	2,863,646
	<u>\$ 182,891,276</u>	<u>\$ 158,033,247</u>	<u>\$ 177,292,628</u>	<u>\$ 155,886,236</u>

* Does not show the effects of GASB 75 implementation for net OPEB liability.

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. Unreserved 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 general fund had total revenues of \$162,223,848 and total expenditures of \$157,353,458 for the year ended June 30, 2018. Total governmental funds had total revenues of \$185,897,440 and expenditures of \$207,881,438 for the year ended June 30, 2018.

General Fund Budgeting Highlights

Actual revenues for year ended June 30, 2018 were \$2,184,365 less than the final budget. Revenue from state sources was \$65,428 less than budgeted and revenue from local sources was \$86,318 more than budgeted. Revenue from federal sources was \$2,205,255 less than budgeted.

Actual expenditures for the year ended June 30, 2018 were under budget by \$8,420,670. Expenditures for regular instruction were \$2,040,703 less than budgeted, expenditures for special education were \$448,666 under budget, and expenditures for district wide services were \$6,778,181 under budget.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2018

Capital Assets

As of June 30, 2018, the District had \$235,427,025 invested in capital assets, net of accumulated depreciation. Table IV shows balances as of June 30, 2018 and 2017:

Table IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)

CAPITAL ASSETS	6/30/18	6/30/17
Land	\$ 12,728,751	\$ 12,728,751
Buildings	177,645,176	174,970,519
Furniture and equipment	1,000,664	1,019,001
Vehicles and equipment	1,822,746	1,812,940
Improvements other than buildings	9,108,041	9,453,454
Construction in progress	33,121,647	7,931,779
Total capital assets (net of depreciation)	\$ 235,427,025	\$ 207,916,444

Total capital assets (before depreciation) increased from \$275,302,664 to \$308,486,847 during fiscal year 2018. Accumulated depreciation increased by \$5,673,602 from \$67,386,220 to \$73,059,822.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 of the financial statements.

Debt Administration

As of June 30, 2018, the District had \$120,054,899 in long-term debt, of which \$106,069,318 was general obligation bonds. Principal payments of \$7,562,214 are due during the 2018-2019 fiscal year on long-term debt. See note 8 for additional information on debt.

For the Future

The Bismarck Public School District is realizing a slower economic growth this year as related to previous 6 years. For fiscal year 2018, the District's taxable valuation was \$469,440,642, an increase of 6.5% from 2017. The District's taxable valuation is expected to increase by 2.5% for fiscal year 2019.

District growth has slowed in the past two years but is still growing. We may have to address capacity issues at some elementary schools. The district has grown by 1,600 students in the last five years.

The District has sixteen elementary schools for the 6,100 students who were enrolled in grades kindergarten through fifth on the first day of the 2018-19 school year. This was an increase of 20 elementary-aged students from the beginning of the 2016-17 school year.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2018

The District's secondary students are enrolled in three middle schools covering grades 6-8, three high schools for freshmen through seniors and one alternative high school for students over the age of 16. Secondary enrollment is at 6,928 students.

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 Bismarck Public District No. 1's finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in the Bismarck District. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Darin M. Scherr, Business and Operations Manager, Bismarck Public Schools, 806 N Washington St., Bismarck, ND 58501; phone 701-323-4057, fax 701-323-4001, or email darin_scherr@bismarckschools.org.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current assets	
Cash and cash equivalents	\$ 48,163,627
Cash and cash equivalents - restricted	75,581
Investments	8,412,890
Investments - restricted	4,002,739
Accounts receivable	234,465
Taxes receivable	1,689,778
Intergovernmental receivable	2,872,417
Due from county treasurer	765,736
Inventory	<u>204,778</u>
Total current assets	<u>66,422,011</u>
Capital assets	
Non-depreciable	
Land	12,728,751
Construction in process	33,121,647
Depreciable, net of accumulated depreciation	
Buildings	177,645,176
Furniture and equipment	1,000,664
Vehicles and equipment	1,822,746
Improvements other than buildings	<u>9,108,041</u>
Total capital assets, net of depreciation	<u>235,427,025</u>
TOTAL ASSETS	<u>301,849,036</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - OPEB	475,050
Deferred outflow - pension	<u>44,177,740</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>44,652,790</u>
LIABILITIES	
Current liabilities	
Accounts, salaries and benefits payable	22,262,615
Incurred but not reported claims	1,688,000
Interest payable	813,017
Unearned health insurance premiums	3,175,820
Long-term liabilities due within one year	
Bonds payable	6,656,432
Note payable	544,690
Special assessments payable	303,288
Capital lease payable	57,804
Compensated absences payable	<u>350,000</u>
Total current liabilities	<u>35,851,666</u>
Long-term liabilities	
Long-term liabilities due after one year	
Net pension liability	187,092,336
Net OPEB liability	1,805,410
Bonds payable	99,412,886
Note payable	10,254,594
Special assessments payable	2,658,725
Capital lease payable	166,480
Compensated absences payable	<u>3,166,150</u>
Total long-term liabilities	<u>304,556,581</u>
TOTAL LIABILITIES	<u>340,408,247</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - OPEB	112,293
Deferred inflow - pension	<u>4,105,571</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,217,864</u>
NET POSITION	
Net investment in capital assets	127,202,126
Restricted:	
Career and technical education	144,333
Capital projects	4,221,520
Debt service	3,731,604
Unrestricted	<u>(133,423,868)</u>
TOTAL NET POSITION	<u>\$ 1,875,715</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 91,379,085	\$ 397,201	\$ 3,677,581	\$ (87,304,303)
Special education	28,751,752	561,813	8,039,581	(20,150,358)
Career and technical education	6,958,370	309,063	1,552,383	(5,096,924)
District wide services	16,109,409	117,629	366,218	(15,625,562)
School food services	6,887,264	4,415,807	3,019,134	547,677
Operations and maintenance	14,590,946	-	-	(14,590,946)
Transportation	4,975,459	-	-	(4,975,459)
Co-curricular activities	5,013,075	628,810	-	(4,384,265)
Other	4,317,732	-	1,772,809	(2,544,923)
Interest - unallocated	3,863,621	-	-	(3,863,621)
Bond service charges and costs	44,563	-	-	(44,563)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 182,891,276	\$ 6,430,323	\$ 18,427,706	(158,033,247)
GENERAL REVENUES				
Taxes				
Property taxes, levied for general purposes				33,579,483
Property taxes, levied for building purposes				5,233,860
Property taxes, levied for debt services				9,971,502
Unrestricted state aid				111,622,131
Unrestricted investment earnings				739,915
Gain on sale of capital assets				16,504
Miscellaneous revenue				111,992
TOTAL GENERAL REVENUES				161,275,387
Change in net position				3,242,140
Total net position, beginning of year, as previously reported				158,008
GASB 75 adjustment (see note 19)				(1,524,433)
Total net deficit, beginning of year, restated				(1,366,425)
Net position - ending				\$ 1,875,715

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 23,946,472	\$ 8,705,730	\$ 4,770,903	\$ 37,423,105
Cash - restricted	-	75,581	-	75,581
Investments	8,012,890	200,000	200,000	8,412,890
Investments - restricted	-	4,002,739	-	4,002,739
Accounts receivable	214,865	19,600	-	234,465
Taxes receivable	1,158,502	184,634	346,642	1,689,778
Intergovernmental receivable	2,611,235	-	261,182	2,872,417
Due from county treasurer	525,063	83,584	157,089	765,736
Inventory	-	-	204,778	204,778
TOTAL ASSETS	<u>\$ 36,469,027</u>	<u>\$ 13,271,868</u>	<u>\$ 5,940,594</u>	<u>\$ 55,681,489</u>
LIABILITIES				
Accounts, salaries and benefits payable	<u>\$ 16,571,237</u>	<u>\$ 5,115,361</u>	<u>\$ 571,017</u>	<u>\$ 22,257,615</u>
DEFERRED INFLOWS OF RESOURCES				
Delinquent taxes	<u>1,158,502</u>	<u>184,634</u>	<u>346,642</u>	<u>1,689,778</u>
FUND BALANCES				
Nonspendable	-	-	204,778	204,778
Restricted	-	7,971,873	4,589,573	12,561,446
Assigned	-	-	228,584	228,584
Unassigned	<u>18,739,288</u>	<u>-</u>	<u>-</u>	<u>18,739,288</u>
TOTAL FUND BALANCES	<u>18,739,288</u>	<u>7,971,873</u>	<u>5,022,935</u>	<u>31,734,096</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 36,469,027</u>	<u>\$ 13,271,868</u>	<u>\$ 5,940,594</u>	<u>\$ 55,681,489</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds		\$ 31,734,096
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	308,486,847	
Less accumulated depreciation	<u>(73,059,822)</u>	
Net capital assets		235,427,025
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		
		1,689,778
Deferred outflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		
		44,177,740
Deferred outflows relating to the OPEB liability in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		
		475,050
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net position.		
Balances at June 30, 2018 are:		
Net pension liability	(187,092,336)	
Net OPEB liability	(1,805,410)	
Bonds payable	(106,069,318)	
Notes payable	(10,799,284)	
Special assessments payable	(2,962,013)	
Capital lease payable	(224,284)	
Interest payable	(813,017)	
Compensated absences	<u>(3,516,150)</u>	
Total long-term liabilities		(313,281,812)
Deferred inflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		
		(4,105,571)
Deferred inflows relating to the OPEB liability in the government activities are not financial resources and, therefore not reported in the governmental funds.		
		(112,293)
Internal service funds are used by the school to charge the costs of health insurance to departments. The assets and liabilities of internal service fund are included in the governmental activities in the statement of net position.		
		<u>5,871,702</u>
Total net position of governmental activities		<u>\$ 1,875,715</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 36,104,593	\$ 5,730,884	\$ 14,589,632	\$ 56,425,109
State sources	116,211,947	-	573,062	116,785,009
Federal sources	9,907,308	-	2,780,014	12,687,322
TOTAL REVENUES	162,223,848	5,730,884	17,942,708	185,897,440
EXPENDITURES				
Current				
Regular instruction	82,082,035	-	-	82,082,035
Special education	28,702,235	-	-	28,702,235
Career and technical education	5,757,619	-	911,917	6,669,536
District wide services	11,905,916	-	-	11,905,916
School food services	-	-	6,851,780	6,851,780
Operations and maintenance	13,497,469	159,983	-	13,657,452
Transportation	4,805,468	-	-	4,805,468
Co-curricular activities	4,980,155	-	-	4,980,155
Other	4,317,734	-	-	4,317,734
Debt Service				
Principal	445,731	597,601	6,141,973	7,185,305
Interest	151,363	142,845	3,459,775	3,753,983
Issuance costs	-	38,118	-	38,118
Service charges	-	400	6,047	6,447
Capital outlay	707,733	31,920,799	296,742	32,925,274
TOTAL EXPENDITURES	157,353,458	32,859,746	17,668,234	207,881,438
Excess of revenues over (under) expenditures	4,870,390	(27,128,862)	274,474	(21,983,998)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	35,063,734	-	35,063,734
Premium (discount) on bonds issued	-	2,200,500	-	2,200,500
Proceeds from sale of capital asset	93,400	-	-	93,400
Transfers in	30,303	-	-	30,303
Transfers out	-	-	(30,303)	(30,303)
TOTAL OTHER FINANCING SOURCES (USES)	123,703	37,264,234	(30,303)	37,357,634
Net change in fund balances	4,994,093	10,135,372	244,171	15,373,636
Fund balances - beginning	13,745,195	(2,163,499)	4,778,764	16,360,460
Fund balances - ending	\$ 18,739,288	\$ 7,971,873	\$ 5,022,935	\$ 31,734,096

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds		\$ 15,373,636
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		
Current year capital outlay (over \$5,000)	32,925,274	
Current year depreciation expense	<u>(5,740,683)</u>	
		27,184,591
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(76,896)
Repayment of debt principal and capital lease payable is an expenditure in the governmental fund, but repayment reduces long-term liabilities in the Statement of Net Position.		
		7,185,305
Government funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability.		
		(37,264,234)
Repayment of bond premium payable is not recognized in the governmental funds, but reduces interest expense in the Statement of Activities.		
		128,247
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in compensated absences	(4,530)	
Net increase in interest payable	(237,885)	
Net increase in net pension liability	(6,909,154)	
Net decrease in OPEB liability	<u>6,835</u>	
		(7,144,734)
Changes in deferred inflows and outflows relating to net pension liability		
		(2,438,194)
Changes in deferred inflows and outflows relating to net OPEB liability		
		74,945
Some revenues reported on the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		
		449,390
Internal service funds are used by the school to charge the costs of health insurance to departments. The net revenue of activities of the internal service fund is reported with governmental activities.		
		<u>(229,916)</u>
Change in net position of governmental activities		<u>\$ 3,242,140</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Internal Service Fund Self-Funded Health Insurance</u>
ASSETS	
Current assets	
Cash and cash equivalents	<u>\$ 10,740,522</u>
LIABILITIES	
Current liabilities	
Accounts payable	5,000
Incurred but not reported claims	1,688,000
Unearned health insurance premiums	<u>3,175,820</u>
Total current liabilities	<u>4,868,820</u>
NET POSITION	
Unrestricted	<u>\$ 5,871,702</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Internal Service Fund Self-Funded Health Insurance</u>
Operating revenues	
Contributions to self-insurance district	\$ 20,931,783
Contributions to self-insurance cobra	281,101
Rebates	<u>433,302</u>
Total operating revenues	<u>21,646,186</u>
 Operating expenses	
Health insurance claims	<u>21,876,102</u>
Change in net position	(229,916)
Total net position - beginning of year	<u>6,101,618</u>
Total net position - end of year	<u><u>\$ 5,871,702</u></u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Internal Service Fund Self-Funded Health Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from district - current premiums	\$ 20,931,783
Received from COBRA premiums	281,101
Rebates received	433,302
Payments for health insurance claims	<u>(21,379,423)</u>
Net cash provided (used) by operating activities	<u>266,763</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	266,763
CASH AND CASH EQUIVALENTS - BEGINNING	<u>10,473,759</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 10,740,522</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (229,916)
Effect on cash flows due to changes in changes in assets and liabilities:	
Accounts payable	(4,730)
Unearned health insurance premiums	<u>33,409</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 266,763</u></u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2018

	Student Activities	MREC	Total
ASSETS			
Cash and cash equivalents	\$ 1,741,716	\$ 827,372	\$ 2,569,088
Intergovernmental receivables	25,058	211,670	236,728
Total assets	<u>\$ 1,766,774</u>	<u>\$ 1,039,042</u>	<u>\$ 2,805,816</u>
LIABILITIES			
Accounts, salaries and benefits payable	\$ 170,872	\$ 195,424	\$ 366,296
Due to consortium participants	-	843,618	843,618
Due to student activities groups	1,595,902	-	1,595,902
Total liabilities	<u>\$ 1,766,774</u>	<u>\$ 1,039,042</u>	<u>\$ 2,805,816</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Bismarck Public School District No. 1 (District) operates the public schools in the city of Bismarck, North Dakota. There are sixteen elementary schools, three middle schools, three senior high schools, an alternative high school, a career academy, technical center, and an early childhood center.

Reporting Entity – The accompanying financial statements present the activities of the Bismarck Public School District No. 1. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District such that exclusion would cause the District’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization’s governing body and (1) the ability of the Bismarck Public School District No. 1 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Bismarck Public School District No. 1.

Based on these criteria, there are no component units to be included within the Bismarck Public School District No. 1 as a reporting entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements:

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

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

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

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

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

Additionally, the District reports the following governmental fund types that are included in non-major funds:

Special Revenue funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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

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

MREC – The Missouri River Education Cooperative is managed by an independent board and is not under the control of the Bismarck School Board. The Bismarck School District serves as the fiscal agent for the MREC.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Basis of Accounting

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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.

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 reported at fair value. All investment income, including changes in the fair value, is recognized in the statement of revenues, expenditures, and changes in fund balance.

Restricted Cash and Cash Equivalents and Investments

Restricted amounts for cash and cash equivalents and investments represent unspent bond proceeds which must be used for the purpose listed in the bond issue.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Accounts Receivable

Accounts receivable consists mainly of amounts on open account from other School districts and organizations for goods and services furnished by the District. Management has deemed all receivables to be collectible; therefore, no allowance for doubtful accounts has been set up.

Intergovernmental Receivable

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various school programs and other credits from the State. These amounts consist of a mix of State and Federal dollars.

Due from County Treasurer

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

Inventories

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

Capital Assets

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

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

Buildings	20-50 Years
Furniture and equipment	5-12 Years
Vehicles and equipment	10-15 Years
Improvements other than buildings	10-30 Years

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Compensated Absences

Vested or accumulated vacation leave is reported in government-wide statements of net position. Compensation for unused vacation leave will be granted to all full-time administrators, professional non-certified staff, and hourly support staff upon termination with the District. Twelve month, full-time employees may carry forward unused vacation not to exceed 20 days. Eleven month administrators may carry up to 19 days of vacation leave forward. Teachers and non-certified staff working less than 12 months will be able to carry forward five personal days.

Compensation for unused sick leave will be granted to all administrators, teachers, professional support staff, and hourly support staff if they have 10 or more years of service upon termination from the District. The severance payment is based on \$30 per day for administrators, \$25 per day for teachers and professional support staff, and \$20 per day for hourly support staff for each day of unused sick leave. The compensation is not to exceed \$4,000 for administrators, teachers, and professional support staff and \$3,000 for hourly support staff.

Long-Term Obligations

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

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

Net Position

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

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions. Restricted net position includes: amounts restricted for debt service, capital projects, and career and technical education.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items reported on the statement of net position as deferred pension outflows, one which represents the actuarial differences within the NDPERS and TFFR pension plans, and another that represents the actuarial differences within the NDPERS OPEB liability. See notes 11, 12, and 13 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. One of the items, unavailable revenue – delinquent taxes, is reported only in the governmental funds balance sheet. This amount, which is from delinquent property taxes, is deferred and recognized as an inflow of resources in the period that the amount become available. The other item is reported on the statement of net position as deferred pension inflows, which represents the actuarial differences within the NDPERS and TFFR pension plans as well as amounts paid to the plan after the measurement date. The last item is reported on the statement of net position as deferred OPEB inflows, which represents the actuarial differences within the NDPERS OPEB liability. See notes 11, 12, and 13 for further details.

Fund Balance Classifications

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

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

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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

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

When both restricted and unrestricted resources are available for use, the District’s preference is to first use restricted resources, then unrestricted resources - committed, assigned, and unassigned - in order as needed. The school board has set a General Fund minimum fund balance target at 10% of expenditures and recurring transfers.

Interfund Transactions

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

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

Pensions

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

Other Post Employment Benefits (OPEB)

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Delinquent Taxes

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

Estimates

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

As discussed in note 10, the District has established a self-funded health insurance plan. Because of the inherent uncertainties associated with estimating the accrued liability for claims, it is at least reasonably possible that the estimate used will change within the near term.

Revenue Recognition - Property Taxes

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

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

Revenue Recognition - Proprietary Fund

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Implementation of New Accounting Principle

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

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

Custodial Credit Risk

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

Governmental funds	\$ 37,498,686
Internal service fund	10,740,522
Agency funds	<u>2,569,088</u>
 Total cash and cash equivalents	 <u>\$ 50,808,296</u>

The bank balance of these deposits that was subject to custodial credit risk as of June 30, 2018 was \$1,744,800. The difference results from checks outstanding or deposits not yet processed and approximately \$49 million swept into commercial paper. The entirety of the balance subject to custodial credit is covered by the FDIC (Federal Deposit Insurance Corporation).

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Credit Risk and Interest Rate Risk

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

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

The investments of the District consist of commercial paper and an investment in the MBBM investment pool. The MBBM investment pool was undertaken through a joint powers agreement with the City of Bismarck, City of Mandan, Morton County, Burleigh County, Bismarck Park District, Mandan Park District, Mandan Public School District, and Bismarck Public Schools District. The pool invests in securities authorized by State Statutes. At June 30, 2018 the school's portion of MBBM had a fair value of \$8,412,890. At June 30, 2018, the following table shows the investments by investment type and maturity.

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-6 Years</u>
US treasury bonds	\$ 4,059,653	\$ 269,194	\$ 3,790,459
US treasury bills	4,002,739	4,002,739	-
Commercial paper	397,839	397,839	-
Federal Farm Credit	659,696	-	659,696
Freddie Mac	368,343	-	368,343
FHLB	1,415,791	186,508	1,229,283
FNMA	1,492,758	132,041	1,360,717
Total debt investments	<u>\$ 12,396,819</u>	<u>\$ 4,988,321</u>	<u>\$ 7,408,498</u>
Investments not subject to categorization:			
<u>Money market</u>	<u>18,810</u>		
Total investments	<u>\$ 12,415,629</u>		

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District does not have an investment policy that specifically addresses credit risk. The following table represents the District's ratings as of June 30, 2018.

S&P Credit Rating	Total Fair Value	Government Bonds	Commercial Paper
AAA	\$ 3,936,588	\$ 3,936,588	\$ -
A-1+	397,839	-	397,839
Total credit risk - debt securities	<u>\$ 4,334,427</u>	<u>\$ 3,936,588</u>	<u>\$ 397,839</u>
Investments not subject to categorization:			
Money market	18,810		
Obligations of the US Government	<u>8,062,392</u>		
Total investments	<u>\$ 12,415,629</u>		

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

The following table below presents the balances of assets, deferred outflow of resources, and deferred inflow of resources measured at fair value on a recurring basis at June 30, 2018.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Federal Farm Credit	\$ 659,696	\$ -	\$ 659,696	\$ -
Freddie Mac	368,343	-	368,343	-
FHLB	1,415,791	-	1,415,791	-
FNMA	1,492,758	-	1,492,758	-
Money market	18,810	18,810	-	-
Commercial paper	397,839	397,839	-	-
US treasury bills	4,002,739	-	4,002,739	-
US treasury bonds	4,059,653	-	4,059,653	-
Total	<u>\$ 12,415,629</u>	<u>\$ 416,649</u>	<u>\$ 11,998,980</u>	<u>\$ -</u>

NOTE 5 CAPITAL ASSETS

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 12,728,751	\$ -	\$ -	\$ 12,728,751
Construction in progress	7,931,779	28,406,615	(3,216,747)	33,121,647
Total capital assets, not depreciated	<u>20,660,530</u>	<u>28,406,615</u>	<u>(3,216,747)</u>	<u>45,850,398</u>
Capital assets, being depreciated				
Buildings	233,875,978	7,257,965	-	241,133,943
Improvements other than buildings	13,943,488	313,511	-	14,256,999
Furniture and equipment	3,102,237	207,404	-	3,309,641
Vehicles and equipment	3,720,431	359,112	(143,677)	3,935,866
Total capital assets, being depreciated	<u>254,642,134</u>	<u>8,137,992</u>	<u>(143,677)</u>	<u>262,636,449</u>
Less accumulated depreciation for				
Buildings	58,905,459	4,583,308	-	63,488,767
Improvements other than buildings	4,490,034	658,924	-	5,148,958
Furniture and equipment	2,083,236	225,741	-	2,308,977
Vehicles and equipment	1,907,491	272,710	(67,081)	2,113,120
Total accumulated depreciation	<u>67,386,220</u>	<u>5,740,683</u>	<u>(67,081)</u>	<u>73,059,822</u>
Total capital assets being depreciated, net	<u>187,255,914</u>	<u>2,397,309</u>	<u>(76,596)</u>	<u>189,576,627</u>
Governmental activities capital assets, net	<u>\$ 207,916,444</u>	<u>\$ 30,803,924</u>	<u>\$ (3,293,343)</u>	<u>\$ 235,427,025</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

Governmental activities	
Elementary Instruction Depreciation	\$ 1,541,127
Middle School Depreciation	782,835
Senior High Depreciation	1,799,099
Special Education Depreciation	49,517
Vocational Depreciation	288,835
District Wide Services Depreciation	107,383
Food Service Depreciation	35,482
Operations & Maintenance Depreciation	933,494
Transportation Depreciation	169,991
Student Activities Depreciation	32,920
Total depreciation expense - governmental activities	<u>\$ 5,740,683</u>

As of June 30, 2018, equipment capitalized under a capital lease and the accumulated depreciation is as follows:

Capitalized leased equipment	\$ 328,118
Less accumulated depreciation	<u>(102,173)</u>
	<u>\$ 225,945</u>

NOTE 6 OPERATING LEASES

The District entered into operating leases for office equipment, with monthly payments totaling up to \$6,556 per month during the year. The leases end at various periods beginning during 2018 and going out until 2019. During the year the District paid \$19,958 on these leases. The required future annual lease payments are as follows:

2019	\$ 505
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BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 7 ACCOUNTS, SALARIES AND BENEFITS PAYABLE

Accounts, salaries and benefits payable consists of amounts owed for goods and services received prior to June 30, 2018 and chargeable to the appropriations for the year then ended, but paid subsequent to that date. A detail of accounts, salaries and benefits payable is as follows as of June 30, 2018:

<u>General Fund:</u>	
Accounts payable	\$ 9,683,642
Salaries payable	2,811,377
Benefits payable	4,076,218
	16,571,237
 <u>Building Fund:</u>	
Accounts payable	5,115,361
 <u>School Food Services Fund:</u>	
Accounts payable	462,670
Salaries payable	9,184
Benefits payable	28,344
	500,198
 <u>MRACTC:</u>	
Accounts payable	39,316
Salaries payable	11,126
Benefits payable	20,377
	70,819
 <u>Self-Funded Health Insurance Fund</u>	
Accounts payable	5,000
Total accounts, salaries and benefits payable	\$ 22,262,615

NOTE 8 LONG-TERM DEBT

Changes in Long-Term Liabilities

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Compensated absences *	\$ 3,511,620	\$ 4,530	\$ -	\$ 3,516,150	\$ 350,000
Net pension liability **	180,183,182	66,584,249	(59,675,095)	187,092,336	-
Net OPEB liability ***	1,812,245	617,665	(624,500)	1,805,410	-
Note-payable	8,622,076	2,563,734	(386,526)	10,799,284	544,690
Special assessments	3,162,639	262,548	(463,174)	2,962,013	303,288
Capital lease payable	143,151	140,338	(59,205)	224,284	57,804
General obligation bonds	76,931,100	32,500,000	(6,276,400)	103,154,700	6,490,840
Bond premium	842,365	2,200,500	(128,247)	2,914,618	165,592
Total	\$ 275,208,378	\$ 104,873,564	\$ (67,613,147)	\$ 312,468,795	\$ 7,912,214

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

** See Notes 11 and 12 for more information on the net pension liability. The general fund would liquidate any liability owed.

*** See Note 13 for more information on the net OPEB liability. The general fund would liquidate any liability owed.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Debt Outstanding

The obligations under general obligation bonds, notes payable, special assessments payable, and capital leases are as follows:

General Obligation Bonds	Outstanding 6/30/18
\$687,000 General Obligation Building Fund Levy Bond of 2003, due in annual installments of \$30,396 to \$45,204 through June 1, 2023, interest at 3.1%. Payments are to be made from the Building Fund.	\$ 212,830
\$1,650,000 General Obligation Building Fund Bonds of 2001, due in annual installments of \$78,789 to \$102,824 through June 1, 2021, interest at 2.45%. Payments are to be made from the Building Fund.	301,155
\$5,570,000 General Obligation Refunding Bonds of 2009, due in annual installments of \$290,000 to \$775,000 through May 1, 2019, interest at 0.85% to 3.4%. Payments are to be made from the Debt Service Fund.	290,000
\$10,000,000 General Obligation Building Fund Bonds of 2012, due in annual installments of \$460,000 to \$640,000 through May 1, 2032, interest at 1.0% to 2.25%. Payments are to be made from the Debt Service Fund.	7,680,000
\$61,500,000 General Obligation School Building Bonds of 2013, due in annual installments of \$1,455,000 to \$4,280,000 through May 1, 2033, interest at 1.5% to 4.125%. Payments are to be made from the Debt Service Fund. Includes premium of \$787,994.	50,622,994
\$15,000,000 General Obligation School Building Bonds of 2014, due in annual installments of \$591,951 to \$932,387 through June 1, 2034, interest at 2.42%. Payments are to be made from the Debt Service Fund.	12,539,214
\$3,720,000 General Obligation Refunding Bonds of 2015, due in annual installments of \$860,000 to \$1,010,000 through May 1, 2019, interest at 0.65% to 1.1%. Payments are to be made from the Debt Service Fund. Includes premium of \$1,355.	1,017,856
\$32,500,000 General Obligation Bonds of 2017, due in annual installments of \$1,200,000 to \$2,160,000 through May 1, 2037, interest at 3.250% to 5.000%. Payments are to be made from the Debt Service Fund. Includes premium of \$2,125,269.	33,405,269
Total General Obligation Bonds Payable	\$ 106,069,318
<u>Notes Payable</u>	
\$7,216,443 Equipment / Lease Purchase Agreement of 2013, due in annual installments of \$144,517 to \$576,095 through June 1, 2028, interest at 2.21%. Payments are to be made from the General Fund. The entire balance is not associated with fixed assets.	\$ 5,799,284
Construction Loan dated 5/31/17. The District may borrow up to \$5 million within 24 month construction period. Annual installments of \$130,000 to \$280,000 due beginning August 1, 2019 through August 1, 2036, interest at 2%. Payments are to be made from the Building Fund.	5,000,000
Total Notes Payable	\$ 10,799,284

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

<u>Special Assessments Payable</u>	<u>Outstanding 6/30/18</u>
Special assessments payable represents special assessment taxes levied by the City of Bismarck, ND against the school district's share of the benefit derived from city funded improvements. The special assessments payable are due in varying annual installments through 2032 with interest at 3.39% to 4.14%. Payments are to be made from the Building Fund.	\$ 2,962,013
<u>Capital Lease Payable</u>	
\$154,055 lease dated June 6, 2016 for the purchase of a copy machine. Due in monthly principal and interest installments of \$3,000 at 5.70% until June 2021. Payments are to be made from the General Fund.	\$ 98,762
\$19,757 lease dated October 19, 2015 for the purchase of a copy machine. Due in monthly principal and interest installments of \$614 at 5.70% until October 2018. Payments are to be made from the General Fund.	2,425
\$10,906 lease dated October 19, 2015 for the purchase of a copy machine. Due in monthly principal and interest installments of \$339 at 5.70% until October 2018. Payments are to be made from the General Fund.	1,338
\$63,837 lease dated September 1, 2017 for the purchase of a copy machine. Due in monthly principal and interest installments of \$1,663 at 19.997% until August 2022. Payments are to be made from the General Fund.	56,136
\$20,460 lease dated October 1, 2017 for the purchase of a copy machine. Due in monthly principal and interest installments of \$417 at 8.549% until October 2022. Payments are to be made from the General Fund.	17,501
\$43,379 lease dated September 1, 2017 for the purchase of a copy machine. Due in monthly principal and interest installments of \$922 at 10.392% until August 2022. Payments are to be made from the General Fund.	37,291
\$12,662 lease dated September 1 2017, for the purchase of a copy machine. Due in montly principal and interest installments of \$258 at 8.549% until August 2022. Payments are to be made from the General Fund.	10,831
Total Capital Lease Payable	\$ 224,284
Total	\$ 120,054,899

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Debt Service Requirements

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

Year Ending June 30	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2019	6,490,840	3,587,585	544,690	337,053
2020	5,328,741	3,399,362	689,211	216,400
2021	5,443,623	3,226,395	725,150	201,682
2022	5,468,653	3,049,047	757,562	186,182
2023	5,611,947	2,870,152	801,513	169,965
2024-2028	30,392,443	11,174,257	4,650,354	574,033
2029-2033	35,296,703	5,233,184	1,650,803	193,012
2034-2038	9,121,752	697,926	980,001	39,500
Premium	2,914,616	(2,914,616)	-	-
Totals	<u>\$ 106,069,318</u>	<u>\$ 30,323,292</u>	<u>\$ 10,799,284</u>	<u>\$ 1,917,827</u>

Year Ending June 30	Special Assessments Payable		Capital Lease Payable	
	Principal	Interest	Principal	Interest
2019	\$ 303,288	\$ 115,117	\$ 57,804	\$ 21,143
2020	303,244	103,358	59,371	15,765
2021	292,826	91,600	65,413	9,723
2022	285,348	80,257	35,295	3,838
2023	269,179	69,188	6,401	121
2024-2028	1,111,734	197,026	-	-
2029-2033	396,394	28,390	-	-
Totals	<u>\$ 2,962,013</u>	<u>\$ 684,936</u>	<u>\$ 224,284</u>	<u>\$ 50,590</u>

Year Ending June 30	Total	
	Principal	Interest
2019	\$ 7,396,622	\$ 4,060,898
2020	6,380,567	3,734,885
2021	6,527,012	3,529,400
2022	6,546,858	3,319,324
2023	6,689,040	3,109,426
2024-2028	36,154,531	11,945,316
2029-2033	37,343,900	5,454,586
2034-2038	10,101,753	737,426
Premium	2,914,616	(2,914,616)
Totals	<u>\$ 120,054,899</u>	<u>\$ 32,976,645</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 9 FUND BALANCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Building Fund	Total
Non-spendable:					
Inventories	\$ -	\$ 204,778	\$ -	\$ -	\$ 204,778
Restricted:					
Debt Service	-	-	4,301,907	-	4,301,907
Capital Projects	-	143,333	-	7,971,873	8,115,206
Career and Technical Education	-	144,333	-	-	144,333
Assigned:					
Food Service	-	228,584	-	-	228,584
Unassigned:					
General Fund	18,739,288	-	-	-	18,739,288
	<u>\$ 18,739,288</u>	<u>\$ 721,028</u>	<u>\$ 4,301,907</u>	<u>\$ 7,971,873</u>	<u>\$ 31,734,096</u>

NOTE 10 RISK MANAGEMENT

The Bismarck Public School District No. 1 is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 Bismarck Public School District pays an annual premium to NDRIF for its general liability and automobile insurance coverage. The coverage by NDRIF is limited to losses on two million dollars per occurrence for general liability and automobile. The district insures machinery and equipment with the Cincinnati Insurance Company. Coverage is limited to \$55,000,000.

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

The Bismarck Public School District No. 1 has workers compensation with the North Dakota Workforce Safety and Insurance.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

The District has retained risk for employee health and dental insurance up to a maximum of \$200,000 per year per individual. They have purchased a stop loss policy for amounts in excess of 120% of expected claims.

Claims, which have been incurred at year-end but not reported, have been recorded as a claim reserve payable in the amount of \$1,688,000 for 2018. Blue Cross Blue Shield, the plan administrator, has calculated this reserve requirement. Changes in the claim reserve payable during the year were as follows:

Balance, July 1, 2017	\$ 1,220,000
Incurred claims including incurred but not reported	21,876,102
Less: claims paid	<u>(21,408,102)</u>
Balance, June 30, 2018	<u>\$ 1,688,000</u>

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

NOTE 11 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

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

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

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

Pension Benefits

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the 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. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

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

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

At June 30, 2018, the District reported a liability of \$148,214,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2017, the Employer's proportion was 10.79080425 percent, which was an increase of 0.13676824 from its proportion measured at June 30, 2016.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

For the year ended June 30, 2018, the Employer recognized pension expense of \$14,449,306. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 568,507	\$ (1,617,968)
Changes of assumptions	10,564,175	-
Net difference between projected and actual earnings on pension plan investments	2,047,258	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,369,002	(1,080,312)
Employer contributions subsequent to the measurement date	<u>9,279,851</u>	<u>-</u>
Total	<u>\$ 24,828,793</u>	<u>\$ (2,698,280)</u>

\$9,279,851 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year ended June 30:

2019	2,740,116
2020	5,951,328
2021	3,940,776
2022	413,568
2023	(267,972)
Thereafter	72,846

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Actuarial Assumptions

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

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

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

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

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

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

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employer's proportionate share of the net pension liability	\$197,053,773	\$148,214,475	\$107,557,232

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report. Requests to obtain or review this report should be addressed to the North Dakota Retirement and Investment Office, 1930 Burnt Boat Dr, Bismarck, ND 58503.

NOTE 12 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.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At June 30, 2018, the Employer reported a liability of \$38,877,861 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the Employer's proportion was 2.418788 percent, which was a decrease of 0.053547 from its proportion measured at June 30, 2016.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

For the year ended June 30, 2018, the Employer recognized pension expense of \$6,050,815. 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 experience	\$ 231,088	\$ (189,421)
Changes of assumptions	15,942,546	(876,875)
Net difference between projected and actual earnings on pension plan investments	522,875	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	782,166	(340,995)
Employer contributions subsequent to the measurement date	1,870,272	-
Total	\$ 19,348,947	\$ (1,407,291)

\$1,870,272 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year ended June 30:

2019	\$	3,555,206
2020		4,272,656
2021		3,726,118
2022		2,947,392
2023		1,570,012

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Actuarial Assumptions

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

Inflation	2.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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

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

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	\$52,777,882	\$38,877,861	\$27,313,618

Pension Plan Fiduciary Net Position

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 13 OTHER POST EMPLOYMENT BENEFITS

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

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

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

OPEB Benefits

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

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

At June 30, 2018, the Employer reported a liability of \$1,805,410 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the Employer's proportion was 2.282409% percent.

For the year ended June 30, 2018, the Employer recognized OPEB expense of \$217,728. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (44,032)
Changes of assumptions	174,864	-
Net difference between projected and actual earnings on pension plan investments	-	(68,261)
Changes in proportion and differences between employer contributions and proportionate share of contributions	679	-
Employer contributions subsequent to the measurement date	<u>299,507</u>	<u>-</u>
Total	<u>\$ 475,050</u>	<u>\$ (112,293)</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

\$299,507 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$	3,521
2020		3,521
2021		3,521
2022		3,521
2023		20,587
2024		20,587
Thereafter		7,992

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

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

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

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

Discount rate. The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 2,260,154	\$ 1,805,410	\$ 1,415,614

NOTE 14 CONTINGENCIES

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

NOTE 15 NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its food service and twenty-first century learning programs. The market value of commodities received for the year ended June 30, 2018 was \$562,367.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 16 COMMITMENTS

The District entered into various construction contracts prior to year-end. The following table summarizes the total costs of these contracts and amounts expensed on these contracts that are included in construction in progress.

	Amount under contract before June 30, 2018	Amount expensed prior to June 30, 2018	Amount committed as of June 30, 2018
Moses Roofing	\$ 287,410	\$ 44,640	\$ 242,770
BHS	18,375,777	1,908,660	16,467,117
CHS	15,508,291	4,373,165	11,135,126
Horizon	7,273,708	5,606,922	1,666,786
Simle	11,866,180	9,255,715	2,610,465
Wachter	9,820,832	8,346,536	1,474,296
	<u>\$ 63,132,198</u>	<u>\$ 29,535,638</u>	<u>\$ 33,596,560</u>

NOTE 17 TRANSFERS

The following is a reconciliation of transfers in and out during the year ended June 30, 2018. The purpose of the transfers were to close out residual amounts in a debt service fund for which the bond has been paid off to the general fund.

Fund	Transfer In	Transfer Out
General fund	\$ 30,303	\$ -
Debt service funds	-	30,303
Total transfers	<u>\$ 30,303</u>	<u>\$ 30,303</u>

NOTE 18 FUTURE PRONOUNCEMENTS

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

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

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

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

NOTE 19 GASB 75 ADJUSTMENT

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which required a prior period adjustment to net OPEB liability and related deferred outflows as of July 1, 2017. The cumulative effect of implementing this GASB statement was an increase in net OPEB liability of \$1,812,245 and increase of deferred outflows - OPEB of \$287,812 on the Statement of Net Position. The adjustments resulted in a decrease of \$1,524,433 in net position on the Statement of Activities.

NOTE 20 SUBSEQUENT EVENTS

In September 2018, the District issued General Obligation School Building Bonds, Series 2018, for \$10,000,000. Annual payments of principal and interest at a fixed amount of \$609,968 begin August 2019 and go through August 2038, with an interest rate of 2.00%.

Subsequent events have been evaluated through November 19, 2018, which is the date these financial statements were available to be issued.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
REVENUES				
Local sources	\$ 36,018,275	\$ 36,018,275	\$ 36,104,593	\$ 86,318
State sources	116,277,375	116,277,375	116,211,947	(65,428)
Federal sources	<u>12,112,563</u>	<u>12,112,563</u>	<u>9,907,308</u>	<u>(2,205,255)</u>
TOTAL REVENUES	<u>164,408,213</u>	<u>164,408,213</u>	<u>162,223,848</u>	<u>(2,184,365)</u>
EXPENDITURES				
Current				
Regular instruction	84,122,738	84,122,738	82,082,035	2,040,703
Special education	29,150,901	29,150,901	28,702,235	448,666
Career and technical education	5,221,577	5,221,577	5,757,619	(536,042)
District wide services	18,684,097	18,684,097	11,905,916	6,778,181
Operations and maintenance	13,359,565	13,359,565	13,497,469	(137,904)
Transportation	4,642,691	4,642,691	4,805,468	(162,777)
Co-curricular activities	5,827,874	5,827,874	4,980,155	847,719
Other	4,241,452	4,241,452	4,317,734	(76,282)
Debt Service:				
Principal	386,527	386,527	445,731	(59,204)
Interest	136,706	136,706	151,363	(14,657)
Capital outlay	<u>-</u>	<u>-</u>	<u>707,733</u>	<u>(707,733)</u>
TOTAL EXPENDITURES	<u>165,774,128</u>	<u>165,774,128</u>	<u>157,353,458</u>	<u>8,420,670</u>
Excess (deficiency) of revenues over expenditures	<u>(1,365,915)</u>	<u>(1,365,915)</u>	<u>4,870,390</u>	<u>6,236,305</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	-	-	93,400	(93,400)
Transfers in	<u>-</u>	<u>-</u>	<u>30,303</u>	<u>(30,303)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>123,703</u>	<u>(123,703)</u>
Net change in fund balances	<u>\$ (1,365,915)</u>	<u>\$ (1,365,915)</u>	4,994,093	<u>\$ 6,112,602</u>
Fund balances - beginning			<u>13,745,195</u>	
Fund balances - ending			<u>\$ 18,739,288</u>	

See Notes to Required Supplementary Information

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	10.790804%	\$148,214,475	\$ 72,834,836	203.49%	63.20%
2017	10.654036%	156,087,867	69,221,921	225.49%	59.20%
2016	10.783616%	141,034,081	66,330,545	212.62%	62.10%
2015	10.642008%	111,509,377	61,729,312	180.64%	66.60%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	2.418788%	\$ 38,877,861	\$ 24,692,032	157.45%	61.98%
2017	2.472335%	24,095,315	24,915,307	96.71%	70.46%
2016	2.364784%	16,080,127	21,067,356	76.33%	77.15%
2015	2.245963%	14,255,607	18,919,516	75.35%	77.70%

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	2.282409%	\$ 1,805,410	\$ 24,692,032	7.31%	59.78%

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

See Notes to Required Supplementary Information

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 9,279,851	\$ (9,279,851)	\$ -	\$ 72,783,145	12.75%
2017	9,286,444	(9,286,444)	-	72,834,836	12.75%
2016	8,825,796	(8,825,796)	-	69,221,921	12.75%
2015	8,456,738	(8,456,738)	-	66,330,545	12.75%

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 1,870,272	\$ (1,870,272)	\$ -	\$26,267,865	7.12%
2017	1,790,473	(1,797,755)	(7,282)	25,249,368	7.12%
2016	1,803,828	(1,559,883)	243,945	21,908,469	7.12%
2015	1,600,235	(1,570,339)	29,896	22,055,323	7.12%

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

See Notes to Required Supplementary Information

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
2018	\$ 299,507	\$ (299,507)	\$ -	\$ 26,272,544	1.14%

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

See Notes to Required Supplementary Information

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

NOTE 2 CHANGE OF ASSUMPTIONS

TFFR Pension Plan

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

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

NDPERS Pension Plan

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NDPERS OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Food Service	MRACTC	Carley Estate		
ASSETS					
Cash	\$ 458,013	\$ 24,739	\$ 143,333	\$ 4,144,818	\$ 4,770,903
Investments	200,000	-	-	-	200,000
Taxes receivable	-	-	-	346,642	346,642
Intergovernmental receivable	70,769	190,413	-	-	261,182
Due from county treasurer	-	-	-	157,089	157,089
Inventory	204,778	-	-	-	204,778
TOTAL ASSETS	<u>\$ 933,560</u>	<u>\$ 215,152</u>	<u>\$ 143,333</u>	<u>\$ 4,648,549</u>	<u>\$ 5,940,594</u>
LIABILITIES					
Accounts, salaries and benefits payable	\$ 500,198	\$ 70,819	\$ -	\$ -	\$ 571,017
DEFERRED INFLOWS OF RESOURCES					
Delinquent taxes	-	-	-	346,642	346,642
FUND BALANCES					
Nonspendable	204,778	-	-	-	204,778
Restricted	-	144,333	143,333	4,301,907	4,589,573
Assigned	228,584	-	-	-	228,584
TOTAL FUND BALANCES	<u>433,362</u>	<u>144,333</u>	<u>143,333</u>	<u>4,301,907</u>	<u>5,022,935</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 933,560</u>	<u>\$ 215,152</u>	<u>\$ 143,333</u>	<u>\$ 4,648,549</u>	<u>\$ 5,940,594</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2018

	G.O. Bonds of 1997	G.O. School Ref. Bonds of 2005	G.O. Ref. Bonds of 2010	G.O. Bonds of 2012	G.O. Bonds of 2013	G.O. Bonds of 2014	G.O. Bonds of 2017	Total Debt Service Funds
ASSETS								
Cash	\$ -	\$ 396,678	\$ 469,478	\$ 426,798	\$ 2,503,444	\$ 281,701	\$ 66,719	\$ 4,144,818
Taxes receivable	-	32,151	4,709	23,214	173,582	36,869	76,117	346,642
Due from county treasurer	-	14,647	2,407	10,548	78,805	16,750	33,932	157,089
TOTAL ASSETS	\$ -	\$ 443,476	\$ 476,594	\$ 460,560	\$ 2,755,831	\$ 335,320	\$ 176,768	\$ 4,648,549
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	\$ -	\$ 32,151	\$ 4,709	\$ 23,214	\$ 173,582	\$ 36,869	\$ 76,117	\$ 346,642
FUND BALANCES								
Restricted for debt service	-	411,325	471,885	437,346	2,582,249	298,451	100,651	4,301,907
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 443,476	\$ 476,594	\$ 460,560	\$ 2,755,831	\$ 335,320	\$ 176,768	\$ 4,648,549

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - TOTAL NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Food Service	MRACTC	Carley Estate		
REVENUES					
Local sources	\$ 4,424,947	\$ 309,063	\$ -	\$ 9,855,622	\$ 14,589,632
State sources	74,672	498,390	-	-	573,062
Federal sources	2,780,014	-	-	-	2,780,014
TOTAL REVENUES	7,279,633	807,453	-	9,855,622	17,942,708
EXPENDITURES					
Current					
Career and technical education	-	892,190	19,727	-	911,917
School food services	6,851,780	-	-	-	6,851,780
Debt Service					
Principal	-	-	-	6,141,973	6,141,973
Interest	-	-	-	3,459,775	3,459,775
Service charges	-	-	-	6,047	6,047
Capital Outlay	293,465	-	3,277	-	296,742
TOTAL EXPENDITURES	7,145,245	892,190	23,004	9,607,795	17,668,234
Excess (deficiency) of revenues over expenditures	134,388	(84,737)	(23,004)	247,827	274,474
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(30,303)	(30,303)
Net change in fund balances	134,388	(84,737)	(23,004)	217,524	244,171
Fund balances - beginning of year	298,974	229,070	166,337	4,084,383	4,778,764
Fund balances - ending	\$ 433,362	\$ 144,333	\$ 143,333	\$ 4,301,907	\$ 5,022,935

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	G.O. Bonds of 1997	G.O. School Ref. Bonds of 2005	G.O. Ref. Bonds of 2010	G.O. Bonds of 2012	G.O. Bonds of 2013	G.O. Bonds of 2014	G.O. Bonds of 2017	Total Nonmajor Debt Service Funds
REVENUES								
Local Sources	\$ -	\$ 884,651	\$ 108,221	\$ 647,169	\$ 4,834,945	\$ 1,028,088	\$ 2,352,548	\$ 9,855,622
EXPENDITURES								
Debt Service								
Principal	-	945,000	270,000	470,000	2,600,000	636,973	1,220,000	6,141,973
Interest	-	20,088	18,635	134,847	1,937,850	317,978	1,030,377	3,459,775
Service charges	-	1,078	1,114	1,165	1,170	-	1,520	6,047
Total expenditures	-	966,166	289,749	606,012	4,539,020	954,951	2,251,897	9,607,795
EXCESS OF REVENUES OVER EXPENDITURES	-	(81,515)	(181,528)	41,157	295,925	73,137	100,651	247,827
OTHER FINANCING SOURCES								
Transfers out	(30,303)	-	-	-	-	-	-	(30,303)
NET CHANGE IN FUND BALANCES	(30,303)	(81,515)	(181,528)	41,157	295,925	73,137	100,651	217,524
FUND BALANCE - BEGINNING	30,303	492,840	653,413	396,189	2,286,324	225,314	-	4,084,383
FUND BALANCE - ENDING	\$ -	\$ 411,325	\$ 471,885	\$ 437,346	\$ 2,582,249	\$ 298,451	\$ 100,651	\$ 4,301,907

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF INTERIOR			
Passed through Standing Rock Sioux Tribe:			
Indian Education - Assistance to Schools	15.130	N/A	\$ 40,404
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of			
Public Instruction:			
School Breakfast Program	10.553	1006	371,379
National School Lunch Program	10.555	1006	1,750,751
National School Lunch Program - commodities	10.555	1006	561,835
Summer Food Service Program for Children	10.559	1008	95,417
Summer Food Service Program for Children - commodities	10.559	1008	531
Child Nutrition Cluster			<u>2,779,913</u>
Child and Adult Care Food Program	10.558	1007	95,188
Team Nutrition Grants	10.574	1011 & 1013	13,531
Fresh Fruit and Vegetable Program	10.582	1009	<u>60,120</u>
Total U.S. Department of Agriculture			<u>2,948,752</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start	93.600		1,652,501
Passed through North Dakota Department of Human Services:			
Developmental Disability Basic Support and Advocacy Grants	93.630	660-10894	13,054
Passed through Luthern Social Services of ND:			
Refugee and Entrant Assistance Programs	93.566	2018-RSS 3	<u>4,507</u>
Total U.S. Department of Health and Human Services			<u>1,670,062</u>
U.S. DEPARTMENT OF EDUCATION			
Indian Education - Grants to Local Education Associations	84.060		231,766
English Language Acquisition Grants	84.365		277,311 A
Passed through the State Board of Career			
and Technical Education:			
Career and Technical Education - Basic			
Grants to States (Perkins IV)	84.048	2038	222,675
Passed through North Dakota Department of Public Instruction:			
English Language Acquisition Grants	84.365	1043	40,309 A
Adult Education	84.002	1048	82,000
Title I - Grants to LEAs	84.010	1017 & 1019	2,609,916
Title I - Neglected and Delinquent Children	84.013	1018	126,531
Title IV - Student Support and Academic Enrichment	84.424	F84244A	41,386
Education for Homeless Children and Youth	84.196	1022	24,500
IDEA, Part B Special Education	84.027	1024	3,741,432
IDEA, Part B Special Education - Preschool	84.173	1026	<u>74,312</u>
Special Education Cluster (IDEA)			3,815,744
Twenty-First Century Community Learning Centers	84.287	1066	775,669
State Personnel Development	84.323	1028	11,039
Improving Teacher Quality State Grants	84.367	1046	<u>872,316</u>
Total U.S. Department of Education			<u>9,131,162</u>
Total expenditures of federal awards			<u>\$ 13,790,380</u>

Sum of A, CFDA #84.365 English Language Acquisition Grants \$317,620

See Notes to the Schedule of Expenditures of Federal Awards

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of Bismarck Public School District No. 1 under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures are not allowable or limited as to reimbursement. Bismarck Public School District No. 1 has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 3 AGENCY OR PASS-THROUGH NUMBER

The District received money passed through multiple grantor agencies. There were no pass-through identifier numbers identified with the grants above that do not identify a pass-through identifying number.

NOTE 4 RECONCILIATION TO FINANCIAL STATEMENTS

The schedule of expenditures of federal awards includes \$1,103,058 of federal funds expended and related federal revenue that is recorded in the District’s various fiduciary funds. These amounts, combined with federal revenues and expenditures in the general fund of \$9,907,308 and federal revenues and expenditures in the food service fund of \$2,780,014 equals total federal revenue and expenditures of \$13,790,380.

See Notes to the Schedule of Expenditures of Federal Awards



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
GOVERNMENTAL AUDITING STANDARDS**

To the School Board
Bismarck Public School District No. 1
Bismarck, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bismarck Public School District No. 1's basic financial statements and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bismarck Public School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bismarck Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Bismarck Public School District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified item 2018-001 as a deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bismarck Public School District No. 1'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*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



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

November 19, 2018



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the School Board
Bismarck Public School District No. 1
Bismarck, North Dakota

Report on Compliance for Each Major Federal Programs

We have audited Bismarck Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bismarck Public School District No. 1's major federal programs for the year ended June 30, 2018. Bismarck Public School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bismarck Public School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bismarck Public School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Bismarck Public School District No. 1's compliance.

Opinion on Each Major Federal Program

In our opinion, Bismarck Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Bismarck Public School District No. 1, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bismarck Public School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bismarck Public School District No. 1's internal control over compliance.

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

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

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



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

November 19, 2018

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are Required to be reported in accordance with 2 CDF 200.516(a)?	<u> </u> yes	<u> x </u> no
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<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster (IDEA)
84.367	Teacher Quality State Grants
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as a low-risk auditee?	<u> </u> yes	<u> x </u> no
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BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

2018-001: Material Weakness

Criteria

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

Condition

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

Cause

This control deficiency could result in a misstatement to the presentation of the footnotes in the audit ready financial statements.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions

The Bismarck School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Indication of Repeat Finding

This is a repeat of finding 2017-001 from the prior year.

Section III – Federal Award Findings and Questioned Costs

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2017-001: Material Weakness

Criteria

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

Condition

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

Cause

This control deficiency could result in a misstatement to the presentation of the footnotes in the audit ready financial statements.

Effect

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions

The Bismarck School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Current Year Status

This finding was repeated in the current year as 2018-001.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2017-002

Criteria

In accordance with North Dakota Century Code 21-04-09, if a public corporation desires to deposit an amount greater than a depositories insurance (FDIC, FSLIC, or NCUE) and did not receive a personal or surety bond, the excess amount must be protected by a bond or by collateral, which, when computed at market value, shall be at least ten percent more than the amount of the excess deposit.

Condition

The District had a balance of \$27,770,046 on deposit at one financial institution as of June 30, 2017 that was covered by \$500,000 of FDIC coverage with the remaining balance of \$27,270,046 collateralized with securities held by the pledging financial institution's agent in the District's name.

Cause

The value of pledged securities totaled \$29,341,840. The value of pledged securities required by North Dakota Century Code 21-04-09 was \$29,997,051. The District was under collateralized by \$655,211.

Effect

The District did not have all their deposits adequately covered by FDIC coverage and / or pledged securities as of June 30, 2017 and is not in compliance with North Dakota Century Code 21-04-09.

Recommendation

We recommend the District review all bank accounts and pledged securities to ensure all deposits are adequately covered by FDIC coverage and / or pledged securities.

Views of Responsible Officials and Planned Corrective Actions

The District has closed all accounts at the financial institution that did not have adequate collateral secured. Funds are now placed at a financial institution in a commercial paper sweep account allowable under NDCC 21-06-07.

Current Year Status

This was corrected in the current year.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

2017-003

Criteria

Bismarck Public School District No. 1's policy regarding payroll is that time sheets are approved by supervisors prior to payment.

Condition

Based on our review of 30 payroll disbursements in the Head Start program, 8 of the payroll disbursements had timecards associated with the payroll charge which were not approved by supervisors prior to payment.

Cause

Payroll was processed for employees whose time was not approved by supervisors.

Effect

The grant could be getting charged for payroll expenditures which did not occur.

Recommendation

We recommend the District follow their procedures over payroll and ensure all timesheets are approved by supervisors prior to payment.

Views of Responsible Officials and Planned Corrective Actions

The District will ensure all time sheets have the required supervisor approval to ensure employee hours are accurate and charged to the correct accounts before an employee is paid. Additional compliance procedures have been put in place to ensure supervisor approval is obtained prior to payment.

Current Year Status

This was corrected in the current year.



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2018-001

Contact Person

Darin Scherr, Business and Operations Manager

Corrective Action Plan

The Bismarck School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Completion Date

Bismarck Public School District No. 1 will implement when it becomes cost effective.