

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS (UNAUDITED)
JUNE 30, 2023

Dan Eastgate	President
Josh Hager	Vice President
Jon Lee	Board Member
Amanda Peterson	Board Member
Donnell Preskey	Board Member
Dr. Jeff Fastnacht	Superintendent
Brad Barnhardt	Elementary Assistant Superintendent
Dr. Ben Johnson	Secondary Assistant Superintendent
Darin Scherr	Business and Operations Manager

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1, North Dakota, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Bismarck Public School District No. 1's basic financial statements as listed in the table of contents.

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, North Dakota, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bismarck Public School District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 96, Subscription Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bismarck Public School District No. 1's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing our audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bismarck Public School District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bismarck Public School District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary 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*, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024 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 the effectiveness of Bismarck Public School District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bismarck Public School District No. 1's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 27, 2024

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

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, 2023, with comparative data for the fiscal year ended June 30, 2022.

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 2022-23 are as follows:

- Net position of the District increased \$5,168,098 as a result of the current year's operations. Governmental net position totaled \$13,732,529 as of June 30, 2023.
- Total revenues from all sources were \$239,034,851 and total expenditures were \$233,866,753.
- The District's general fund had \$204,085,333 in total revenues and other financing sources and \$205,471,189 in expenditures and other financing uses, resulting in a net change in fund balance of \$(1,385,856) for the year ended June 30, 2023.
- The unassigned general fund balance was \$14,348,803 as of June 30, 2023. This balance represents 7.23% of total general fund expenditures for the year.

Using this Annual Report

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand 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, 2023?". 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, 2023

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, 2023, with comparative data for the fiscal year ended June 30, 2022.

As indicated in the financial highlights, the District's net position increased by \$5,168,098 as a result of current year operations for the year ended June 30, 2023. The District's net position is segregated into three separate categories. Net investment in capital, lease, and SBITA assets totals \$181,287,603 at year-end, an increase from the prior year audited total of \$153,354,845. It should be noted that this net position amount is not available for future spending. It is the remaining undepreciated or unamortized value of the District's capital, lease, and SBITA assets, less any related debt that remains outstanding that was used to construct or acquire the assets. Restricted net position totals \$5,105,211, an increase from the prior year audited total of \$4,259,025. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position is \$(172,660,285), a decrease from the prior year audited total of \$(149,711,498). The unrestricted net position is available to meet the District's ongoing obligations. The District implemented GASB Statement No. 96, *Subscription Based Information Technology Agreements* during the year. This resulted in a prior period adjustment which increased opening government wide net position by \$662,059.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

Table I
Net Position

	<u>6/30/23</u>	<u>6/30/22</u>
ASSETS		
Current assets	\$ 67,549,470	\$ 81,567,716
Capital assets (net of accumulated depreciation)	310,580,172	292,160,430
Total assets	<u>378,129,642</u>	<u>373,728,146</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>86,350,515</u>	<u>50,872,634</u>
LIABILITIES		
Current liabilities (exc. bonds payable, capital lease payable and compensated absences)	37,349,165	35,721,718
Bonds payable	105,346,234	112,707,992
Note payable	29,217,641	31,447,879
Special assessments payable	1,036,815	969,837
Net pension liability	234,140,889	137,600,085
Net OPEB liability	2,836,222	1,288,687
Long-term liabilities (exc. bonds and note payable and net pension liability)	4,025,228	4,117,777
Total liabilities	<u>413,952,194</u>	<u>323,853,975</u>
DEFERRED INFLOWS OF RESOURCES	<u>36,795,434</u>	<u>92,844,433</u>
NET POSITION		
Net investment in capital assets	181,287,603	153,354,845
Restricted for debt service, capital project, career and technical education and teacher learning center	5,105,211	4,259,025
Unrestricted	<u>(172,660,285)</u>	<u>(149,711,498)</u>
TOTAL NET POSITION (DEFICIT)	<u><u>\$ 13,732,529</u></u>	<u><u>\$ 7,902,372</u></u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

Table II shows the changes in net position for the fiscal year ended June 30, 2023.

Table II
Changes in Net Position

	<u>2022-2023</u>	<u>2021-2022</u>
REVENUES		
Program revenues		
Charges for services	\$ 10,295,175	\$ 9,059,747
Operating grants and contributions	39,092,246	43,632,721
General revenues		
Property taxes	60,770,970	54,136,249
State aid - unrestricted	127,387,564	123,374,811
Interest earnings and miscellaneous revenue	1,488,896	588,981
Total revenues	<u>239,034,851</u>	<u>230,792,509</u>
EXPENSES		
Regular instruction	109,936,493	100,000,923
Special education	40,547,912	35,360,235
Career and technical education	8,033,730	7,494,347
District wide services	15,013,896	16,550,651
School food services	10,518,648	8,334,060
Operations and maintenance	23,481,008	22,937,111
Student transportation	6,767,227	5,801,681
Co-curricular activities	12,524,236	10,634,738
Other	3,954,322	4,031,368
Debt service	3,089,281	3,538,116
Total expenses	<u>233,866,753</u>	<u>214,683,230</u>
Change in net position	5,168,098	16,109,279
Total net position - beginning	7,902,372	(8,206,907)
GASB 96 implementation	662,059	-
Total net position, beginning of year, restated	<u>8,564,431</u>	<u>(8,206,907)</u>
Net position (deficit) - ending	<u>\$ 13,732,529</u>	<u>\$ 7,902,372</u>

Unrestricted state aid constituted 53%, property taxes 25%, and operating grants and contributions 16% of the total revenues of governmental activities of the District for fiscal year 2023.

Regular instruction comprised 47%, special education 17%, and operations and maintenance 10% of total expenditures for governmental activities for fiscal year 2023.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

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

	Year Ended 6/30/23		Year Ended 6/30/22	
	Total Cost	Net Cost	Total Cost	Net Cost
Regular instruction	\$ 109,936,493	\$ 92,353,938	\$ 100,000,923	\$ 78,826,785
Special education	40,547,912	33,017,464	35,360,235	29,289,765
Career and technical education	8,033,730	5,695,909	7,494,347	4,867,993
District wide services	15,013,896	13,597,856	16,550,651	14,828,510
School food services	10,518,648	505,506	8,334,060	(3,758,236)
Operations and maintenance	23,481,008	22,508,213	22,937,111	22,909,611
Student transportation	6,767,227	6,767,227	5,801,681	5,801,681
Co-curricular activities	12,524,236	5,781,658	10,634,738	4,454,769
Other	3,954,322	1,162,280	4,031,368	1,231,768
Debt service	3,089,281	3,089,281	3,538,116	3,538,116
Total expenses	<u>\$ 233,866,753</u>	<u>\$ 184,479,332</u>	<u>\$ 214,683,230</u>	<u>\$ 161,990,762</u>

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. As noted in the financial highlights, the District's general fund had \$204,085,333 in total revenues and other financing sources and \$205,471,189 in expenditures and other financing uses, resulting in a net decrease in fund balance of \$1,385,856 for the year ended June 30, 2023. Total governmental funds had revenues and other financing sources in deficiency of expenditures and other financing uses in the amount of \$16,306,926 for the year ended June 30, 2023. This was primarily due to spending of prior year amounts in the building fund for on-going construction projects. The District implemented GASB Statement No. 96, *Subscription Based Information Technology Agreements* during the year. This resulted in a prior period adjustment which decreased opening fund balance in the general fund by \$100,139.

General Fund Budgeting Highlights

The District had budgeted for a \$5,707,143 net decrease to the general fund's fund balance for the year ended June 30, 2023, and actual amounts resulted in a net decrease to general fund's fund balance of \$1,385,856. Actual revenues for year ended June 30, 2023 were \$6,944,104 less than the final budget. However, actual expenditures for the year ended June 30, 2023 were under budget by \$7,909,617 and other financing sources (uses) which were under budget by \$3,341,774.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

Capital Assets

As of June 30, 2023, the District had \$309,897,729 invested in capital assets, net of accumulated depreciation. Table IV shows balances as of June 30, 2023 and 2022:

Table IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)

	<u>6/30/23</u>	<u>6/30/22</u>
CAPITAL ASSETS		
Land	\$ 15,812,798	\$ 15,812,798
Buildings	260,096,659	229,003,299
Furniture and equipment	1,392,971	1,397,754
Vehicles and equipment	2,869,042	2,522,038
Improvements other than buildings	12,649,028	11,022,595
Construction in progress	<u>17,077,231</u>	<u>32,401,946</u>
Total capital assets (net of depreciation)	<u><u>\$ 309,897,729</u></u>	<u><u>\$ 292,160,430</u></u>

For a detailed breakdown of the additions and deletions to each class of capital assets, readers are referred to Note 4 of the financial statements. The overall net increase in capital assets year over year was a result of primarily the construction of two new elementary schools that became operational this fiscal year and the additions to an existing high school which is in progress.

Debt Administration

As of June 30, 2023, the District had \$135,767,043 in long-term debt. This is a decrease of \$9,723,945 compared to the prior year total of \$145,369,220. The decrease is attributable to no new bond issues during the current fiscal year and payments being made on existing long-term debt. Principal payments of \$10,010,803 are due during the 2023-2024 fiscal year on long-term debt. See note 6 for additional information on debt.

For the Future

The Bismarck Public School District has continued realizing a stable economic growth. For fiscal year 2023, the District's taxable valuation was \$575,746,039, an increase of 9.4% from 2022. The District's taxable valuation is expected to increase by 5.4% for fiscal year 2024.

District growth is projected at about 400 new students. An addition at Legacy High School became operational in the fall of 2023, and an addition at Lincoln Elementary School is expected to operational in the fall of 2024. The district has grown by approximately 2,000 students in the last ten years.

The District has eighteen elementary schools for the 6,287 students who were enrolled in grades kindergarten through fifth on the first day of the 2022-23 school year. 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 7,391 students.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2023

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, 128 Soo Line Dr, 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, 2023

ASSETS	
Current assets	
Cash and cash equivalents	\$ 35,355,797
Investments	15,034,577
Accounts receivable	685,031
Taxes receivable	2,057,451
Intergovernmental receivable	13,383,846
Due from county treasurer	114,726
Prepays	743,917
Inventory	174,125
Total current assets	<u>67,549,470</u>
Capital, lease and SBITA assets	
Non-depreciable	
Land	15,812,798
Construction in process	17,077,231
Depreciable, net of accumulated depreciation and amortization	
Buildings	260,096,659
Improvements other than buildings	12,649,028
Furniture and equipment	1,392,971
Vehicles and equipment	2,869,042
SBITA assets, net of accumulated amortization	<u>682,443</u>
Total capital, lease and SBITA assets, net of depreciation and amortization	<u>310,580,172</u>
TOTAL ASSETS	<u>378,129,642</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - OPEB	1,533,941
Deferred outflow - pension	<u>84,816,574</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>86,350,515</u>
LIABILITIES	
Current liabilities	
Accounts, salaries and benefits payable	26,850,781
Incurred but not reported claims	2,329,000
Interest payable	835,907
Unearned revenue	714,068
Unearned health insurance premiums	6,619,409
Long-term liabilities due within one year	
Bonds payable	7,461,759
Notes payable	2,291,887
Special assessments payable	166,955
Leases payable	38,036
SBITA payable	69,602
Compensated absences payable	<u>400,000</u>
Total current liabilities	<u>47,777,404</u>
Long-term liabilities	
Long-term liabilities due after one year	
Net pension liability	234,140,889
Net OPEB liability	2,836,222
Bonds payable	97,884,475
Notes payable	26,925,754
Special assessments payable	869,860
Leases payable	6,549
SBITA payable	52,166
Compensated absences payable	<u>3,458,875</u>
Total long-term liabilities	<u>366,174,790</u>
TOTAL LIABILITIES	<u>413,952,194</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - OPEB	83,252
Deferred inflow - pension	<u>36,712,182</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>36,795,434</u>
NET POSITION (DEFICIT)	
Net investment in capital, lease and SBITA assets	181,287,603
Restricted:	
Career and technical education	116,931
Teacher learning center	35,768
Capital projects	132,272
Debt service	4,820,240
Unrestricted	<u>(172,660,285)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 13,732,529</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net
		Charges for Services	Operating Grants and Contributions	(Expense) Revenue and Changes in Net Position Governmental Activities
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 109,936,493	\$ 402,873	\$ 17,179,682	\$ (92,353,938)
Special education	40,547,912	463,749	7,066,699	(33,017,464)
Career and technical education	8,033,730	515,929	1,821,892	(5,695,909)
District wide services	15,013,896	107,948	1,308,092	(13,597,856)
School food services	10,518,648	4,817,956	5,195,186	(505,506)
Operations and maintenance	23,481,008	-	972,795	(22,508,213)
Transportation	6,767,227	-	-	(6,767,227)
Co-curricular activities	12,524,236	3,986,720	2,755,858	(5,781,658)
Other	3,954,322	-	2,792,042	(1,162,280)
Interest - unallocated	3,062,861	-	-	(3,062,861)
Bond service charges and costs	26,420	-	-	(26,420)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 233,866,753</u>	<u>\$ 10,295,175</u>	<u>\$ 39,092,246</u>	<u>(184,479,332)</u>
GENERAL REVENUES				
Taxes				
Property taxes, levied for general purposes				44,092,912
Property taxes, levied for building purposes				6,252,930
Property taxes, levied for debt services				10,425,128
Unrestricted state aid				127,387,564
Unrestricted investment earnings				1,083,743
Miscellaneous revenue				405,153
TOTAL GENERAL REVENUES				<u>189,647,430</u>
Change in net position				<u>5,168,098</u>
Net position (deficit) - beginning of year, as originally stated				7,902,372
GASB 96 adjustment - see note 2				662,059
Net position (deficit) - beginning of year, restated				<u>8,564,431</u>
Net position (deficit) - end of year				<u>\$ 13,732,529</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Building Fund	Food Service	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,809,661	\$ -	\$ 5,695,043	\$ 7,833,581	\$ 20,338,285
Investments	15,034,577	-	-	-	15,034,577
Accounts receivable	238,471	24,146	-	-	262,617
Taxes receivable	1,485,202	215,386	-	356,863	2,057,451
Intergovernmental receivable	12,147,792	482,258	178,369	575,427	13,383,846
Due from county treasurer	82,899	11,963	-	19,864	114,726
Due from other funds	2,943,497	-	-	-	2,943,497
Prepays	743,917	-	-	-	743,917
Inventory	-	-	174,125	-	174,125
TOTAL ASSETS	<u>\$ 39,486,016</u>	<u>\$ 733,753</u>	<u>\$ 6,047,537</u>	<u>\$ 8,785,735</u>	<u>\$ 55,053,041</u>
LIABILITIES					
Accounts, salaries and benefits payable	\$ 22,523,775	\$ 3,034,046	\$ 175,974	\$ 328,521	\$ 26,062,316
Unearned revenue	384,319	6,309	323,440	-	714,068
Due to other funds	-	2,943,497	-	-	2,943,497
TOTAL LIABILITIES	<u>22,908,094</u>	<u>5,983,852</u>	<u>499,414</u>	<u>328,521</u>	<u>29,719,881</u>
DEFERRED INFLOWS OF RESOURCES					
Delinquent taxes	<u>1,485,202</u>	<u>215,386</u>	<u>-</u>	<u>356,863</u>	<u>2,057,451</u>
FUND BALANCES					
Nonspendable	743,917	-	174,125	-	918,042
Restricted	-	-	-	5,184,472	5,184,472
Assigned	-	-	5,373,998	2,915,879	8,289,877
Unassigned	<u>14,348,803</u>	<u>(5,465,485)</u>	<u>-</u>	<u>-</u>	<u>8,883,318</u>
TOTAL FUND BALANCES	<u>15,092,720</u>	<u>(5,465,485)</u>	<u>5,548,123</u>	<u>8,100,351</u>	<u>23,275,709</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 39,486,016</u>	<u>\$ 733,753</u>	<u>\$ 6,047,537</u>	<u>\$ 8,785,735</u>	<u>\$ 55,053,041</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, 2023

Total fund balances - governmental funds		\$ 23,275,709
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, lease and SBITA assets	417,273,745	
Less accumulated depreciation and amortization	<u>(106,693,573)</u>	
Net capital assets		310,580,172
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.		2,057,451
Deferred outflows relating to the cost sharing defined benefit pension plans in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		84,816,574
Deferred outflows relating to the OPEB liability in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		1,533,941
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, 2023 are:		
Net pension liability	(234,140,889)	
Net OPEB liability	(2,836,222)	
Bonds payable	(105,346,234)	
Notes payable	(29,217,641)	
Special assessments payable	(1,036,815)	
Lease payable	(44,585)	
SBITA payable	(121,768)	
Interest payable	(835,907)	
Compensated absences	<u>(3,858,875)</u>	
Total long-term liabilities		(377,438,936)
Deferred inflows relating to the cost sharing defined benefit pension plans in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		(36,712,182)
Deferred inflows relating to the OPEB liability in the government activities are not financial resources and, therefore not reported in the governmental funds.		(83,252)
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>5,703,052</u>
Total net position of governmental activities		<u><u>\$ 13,732,529</u></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, 2023

	General Fund	Building Fund	Food Service	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 47,703,339	\$ 6,585,849	\$ 4,817,956	\$ 14,135,922	\$ 73,243,066
State sources	129,863,803	-	61,834	3,416,793	133,342,430
Federal sources	26,506,570	732,258	4,887,756	103,311	32,229,895
TOTAL REVENUES	204,073,712	7,318,107	9,767,546	17,656,026	238,815,391
EXPENDITURES					
Current					
Regular instruction	104,169,049	-	-	14,456	104,183,505
Special education	38,272,207	-	-	-	38,272,207
Career and technical education	6,524,559	-	-	1,198,236	7,722,795
District wide services	13,420,362	-	-	20,354	13,440,716
School food services	-	-	9,797,058	-	9,797,058
Operations and maintenance	16,692,928	3,885,359	-	-	20,578,287
Transportation	6,191,407	-	-	-	6,191,407
Co-curricular activities	6,142,025	-	-	5,860,438	12,002,463
Other	3,202,091	-	-	-	3,202,091
Debt Service					
Principal	1,085,457	2,057,122	-	7,091,401	10,233,980
Interest	197,107	589,442	-	2,519,998	3,306,547
Service charges	-	1,195	-	25,226	26,421
Capital outlay	2,573,997	23,890,180	211,132	140,252	26,815,561
TOTAL EXPENDITURES	198,471,189	30,423,298	10,008,190	16,870,361	255,773,038
Excess of revenues over (under) expenditures	5,602,523	(23,105,191)	(240,644)	785,665	(16,957,647)
OTHER FINANCING SOURCES (USES)					
Proceeds from SBITA asset	4,621	-	-	-	4,621
Proceeds from sale of capital asset	7,000	-	-	-	7,000
Proceeds from issuance of special assessments	-	639,100	-	-	639,100
Transfers in	-	7,000,000	-	-	7,000,000
Transfers out	(7,000,000)	-	-	-	(7,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	(6,988,379)	7,639,100	-	-	650,721
Net change in fund balances	(1,385,856)	(15,466,091)	(240,644)	785,665	(16,306,926)
Fund balances - beginning, as originally stated	16,578,715	10,000,606	5,788,767	7,314,686	39,682,774
GASB 96 adjustment - see note 2	(100,139)	-	-	-	(100,139)
Fund balances - beginning of year, restated	16,478,576	10,000,606	5,788,767	7,314,686	39,582,635
Fund balances - ending	\$ 15,092,720	\$ (5,465,485)	\$ 5,548,123	\$ 8,100,351	\$ 23,275,709

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds		\$ (16,306,926)
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)	26,815,561	
Current year depreciation and amortization expense	<u>(8,978,010)</u>	
		17,837,551
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 net book value of the asset sold.		(364,849)
Repayment of debt principal and lease payable is an expenditure in the governmental fund, but repayment reduces long-term liabilities in the Statement of Net Position.		10,233,980
Government funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability.		(4,621)
Assets acquired through special assessments financing are reported in the governmental funds as a source of financing. However, special assessments are reported as long-term liabilities in the Statement of Net Position.		(639,100)
Repayment of bond premium payable is not recognized in the governmental funds, but reduces interest expense in the Statement of Activities.		196,760
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net decrease in compensated absences	15,390	
Net decrease in interest payable	46,927	
Net increase in net pension liability	(96,540,804)	
Net increase in net OPEB liability	<u>(1,547,535)</u>	
		(98,026,022)
Changes in deferred inflows and outflows relating to net pension liability		90,164,581
Changes in deferred inflows and outflows relating to net OPEB liability		1,362,299
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.		219,461
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>494,984</u>
Change in net position of governmental activities		<u>\$ 5,168,098</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2023

	<u>Internal Service Fund Self-Funded Health Insurance</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 15,017,512
Accounts receivable	422,414
Total current assets	<u>15,439,926</u>
LIABILITIES	
Current liabilities	
Accounts payable	788,465
Incurred but not reported claims	2,329,000
Unearned health insurance premiums	6,619,409
Total current liabilities	<u>9,736,874</u>
NET POSITION	
Unrestricted	<u><u>\$ 5,703,052</u></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, 2023

	Internal Service Fund Self-Funded Health Insurance
Operating revenues	
Contributions to self-insurance district	\$ 28,928,590
Contributions to self-insurance cobra	179,283
Rebates	2,454,930
Total operating revenues	<u>31,562,803</u>
Operating expenses	
Health insurance claims	<u>31,067,819</u>
Change in net position	<u>494,984</u>
Total net position - beginning of year	<u>5,208,068</u>
Total net position - end of year	<u><u>\$ 5,703,052</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, 2023

	Internal Service Fund Self-Funded Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from district - current premiums	\$ 28,928,590
Received from COBRA premiums	179,283
Rebates received	2,454,930
Payments for health insurance claims	(31,390,374)
Net cash provided (used) by operating activities	<u>172,429</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	172,429
CASH AND CASH EQUIVALENTS - BEGINNING	<u>14,845,083</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 15,017,512</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 494,984
Effect on cash flows due to changes in assets and liabilities:	
Accounts receivable	(127,973)
Accounts payable	(628,871)
Incurred but not reported claims	82,000
Unearned health insurance premiums	<u>352,289</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 172,429</u></u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 eighteen 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, 2023

Taxes and other items properly not 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 used to account for the financial resources related to the capital outlays made by the District.

Food service fund – This fund is used to account for the financial resources related to food services provided by the District.

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

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Basis of Accounting

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

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District's internal service fund also uses the accrual basis of accounting.

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 consist of CD's and are reported at fair value.

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.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 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 when the construction projects begin and depreciation starts when a particular project is completed. 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	2-50 Years
Furniture and equipment	5-20 Years
Vehicles and equipment	10-15 Years
Improvements other than buildings	10-30 Years

Compensated Absences

Vested or accumulated vacation leave is reported in government-wide statements of net position. Compensation for unused vacation leave will be granted to all 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.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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, and career and technical education.

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 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 becomes available. The second 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.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Fund Balance Classifications

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

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

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

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

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

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

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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.

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, 2023, 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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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.

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District are reasonably certain to exercise. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Subscription-Based Information Technology Arrangements (SBITA)

Subscription-Based Information Technology Arrangements (SBITA) are contracts that convey control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contains an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District has made an accounting policy election to use a risk-free rate based on the US Treasury T-bill rate as of the SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The amortizable life of SBITA assets are limited to the shorter of the expected agreement term or the useful life of the underlying asset.

Implementation of New Accounting Principle

The District implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, during the year ended June 30, 2023. GASB Statement No. 96 establishes a single model for lease accounting based on the foundation principle that subscriptions are financings of the right to use an underlying information technology asset.

The adoption of GASB 96 resulted in the recognition of a subscription asset of \$947,040 and subscription liability of \$184,842 as of July 1, 2022. The net effect of \$762,198 was due to the following:

Subscription arrangements previously reported as prepaid expenses in the prior period totaled \$734,801 and deferred revenues associated with them totaled \$634,662. The removal of these balances resulted in a restatement of fund balance as of July 1, 2022 in the amount of \$100,139.

The net effect of the implementation and removal of previous balances resulted in a restatement of net position in the amount of \$662,059.

Results for periods prior to June 30, 2022 continue to be reported in accordance with the District's historical accounting treatment. See note 8 for expanded disclosures regarding the District's subscriptions.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 3 DEPOSITS

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, 2023, the District's carrying amount of cash and cash equivalents was as follows:

Governmental funds	\$ 20,338,285
Internal service fund	<u>15,017,512</u>
 Total cash and cash equivalents	 <u><u>\$ 35,355,797</u></u>

The bank balance of all deposits that was subject to custodial credit risk as of June 30, 2023 was \$10,289,204. The remaining amounts are not subject to custodial credit risk. The entirety of the balance subject to custodial credit is covered by pledged collateral held in the District's name.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 4 CAPITAL AND LEASE ASSETS

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

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 15,812,798	\$ -	\$ -	\$ 15,812,798
Construction in progress	32,401,946	16,810,897	(32,135,612)	17,077,231
Total capital assets, not depreciated	<u>48,214,744</u>	<u>16,810,897</u>	<u>(32,135,612)</u>	<u>32,890,029</u>
Capital assets, being depreciated				
Buildings	314,285,305	38,039,796	-	352,325,101
Improvements other than buildings	18,536,722	2,974,083	(705,457)	20,805,348
Furniture and equipment	3,940,419	343,801	(98,552)	4,185,668
Vehicles and equipment	5,495,240	744,279	(157,277)	6,082,242
Total capital assets, being depreciated	<u>342,257,686</u>	<u>42,101,959</u>	<u>(961,286)</u>	<u>383,398,359</u>
Less accumulated depreciation for				
Buildings	85,282,006	6,946,436	-	92,228,442
Improvements other than buildings	7,514,127	990,040	(347,847)	8,156,320
Furniture and equipment	2,542,665	348,584	(98,552)	2,792,697
Vehicles and equipment	2,973,202	390,036	(150,038)	3,213,200
Total accumulated depreciation	<u>98,312,000</u>	<u>8,675,096</u>	<u>(596,437)</u>	<u>106,390,659</u>
Total capital assets being depreciated, net	<u>243,945,686</u>	<u>33,426,863</u>	<u>(364,849)</u>	<u>277,007,700</u>
Governmental activities capital assets, net	<u>\$ 292,160,430</u>	<u>\$ 50,237,760</u>	<u>\$ (32,500,461)</u>	<u>\$ 309,897,729</u>

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

Governmental activities:

Regular instruction	\$ 6,155,738
Special education	10,185
Career and technical education	324,646
District wide services	217,051
School food services	64,931
Operations and maintenance	1,019,269
Transportation	227,767
Co-curricular activities	555,872
Other	99,637
Total depreciation expense - governmental activities	<u>\$ 8,675,096</u>

As of June 30, 2023, equipment capitalized under leases and the accumulated amortization is as follows:

Right-to-use lease asset	\$ 489,739
Accumulated amortization	<u>(449,179)</u>
Lease assets, net	<u>\$ 40,560</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 5 ACCOUNTS, SALARIES AND BENEFITS PAYABLE

Accounts, salaries and benefits payable consists of amounts owed for goods and services received prior to June 30, 2023 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, 2023:

<u>General Fund:</u>	
Accounts payable	\$ 3,460,137
Salaries payable	13,623,661
Benefits payable	5,439,977
	<u>22,523,775</u>
<u>Building Fund:</u>	
Accounts payable	<u>3,034,046</u>
<u>School Food Services Fund:</u>	
Accounts payable	83,478
Salaries payable	57,830
Benefits payable	34,666
	<u>175,974</u>
<u>Student Activity Fund:</u>	
Accounts payable	133,343
Salaries payable	35,866
Benefits payable	45,257
	<u>214,466</u>
<u>CRACTC:</u>	
Accounts payable	36,556
Salaries payable	50,846
Benefits payable	25,495
	<u>112,897</u>
<u>TLC/CREA</u>	
Accounts payable	<u>1,158</u>
<u>Self-Funded Health Insurance Fund</u>	
Accounts payable	<u>788,465</u>
Total accounts, salaries and benefits payable	<u>\$ 26,850,781</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Compensated absences	\$ 3,874,265	\$ -	\$ (15,390)	\$ 3,858,875	\$ 400,000
General obligation bonds payable	112,707,992	-	(7,361,758)	105,346,234	7,461,759
Notes payable	31,447,879	-	(2,230,238)	29,217,641	2,291,887
Special assessments payable	969,837	639,100	(572,122)	1,036,815	166,955
SBITA payable	184,842	4,621	(67,695)	121,768	69,602
Leases payable	243,512	-	(198,927)	44,585	38,036
	<u>\$ 149,428,327</u>	<u>\$ 643,721</u>	<u>\$ (10,446,130)</u>	<u>\$ 139,625,918</u>	<u>\$ 10,428,239</u>

* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reduction.

Debt Outstanding

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

<u>General Obligation Bonds</u>	<u>Outstanding 6/30/2023</u>
\$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 1.00% to 2.25%. Payments are to be made from the Debt Service Fund.	\$ 5,215,000
\$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 3.125% to 5.00%. Payments are to be made from the Debt Service Fund. Includes premium of \$1,561,038.	26,091,038
\$9,290,000 General Obligation School Building Bonds of 2019, due in annual installments of \$330,000 to \$615,000 through May 1, 2039, interest at 3.00% to 5.00%. Payments are to be made from the Debt Service Fund. Includes premium of \$574,779.	8,464,779
\$46,050,000 General Obligation School Building Refunding Bonds of 2020, due in annual installments of \$3,340,000 to \$3,905,000 through May 1, 2033, interest at 0.65% to 2.15%. Payments are to be made from the Debt Service Fund.	35,945,000
\$33,000,000 General Obligation Building Fund Bonds 2020B, due in annual installments of \$1,480,000 to \$1,930,000 through May 1, 2040, interest at 1.00% to 4.00%. Payments are to be made from the Building Fund. Includes premium of \$792,871.	29,017,871

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

\$710,000 General Obligation Building Fund Bonds 2020C, due in annual installments of \$35,000 to \$45,000 through May 1, 2039, interest at 1.75% to 4.00%. Payments are to be made from the Debt Service Fund. Includes premium of \$12,546.

\$ 612,546

Total General Obligation Bonds Payable

\$ 105,346,234

Notes Payable

\$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.

\$ 3,416,158

\$15,000,000 School Construction Loan dated June 30, 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.

9,119,642

\$5,000,000 School Construction Loan dated May 31, 2017. Annual installments of \$249,849 to \$342,989 through August 1, 2036, interest at 2.00%. Payments are to be made from the Debt Service Fund.

4,232,096

\$10,000,000 School Construction Loan dated September 19, 2018. Annual installments of \$415,577 to \$593,547 through August 1, 2038, interest at 2.00%. Payments are to be made from the Debt Service Fund.

8,213,861

\$4,865,138 Equipment / Lease Purchase Agreement of 2021, due in annual installments of \$277,001 to \$372,276 through July 31, 2035, interest at 2.30%. Payments are to be made from the General Fund. The entire balance is not associated with fixed assets.

4,235,884

Total Notes Payable

\$ 29,217,641

Special Assessments

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 2037 with interest at 2.17% to 4.99%. Payments are to be made from the Building Fund.

\$ 1,036,815

Leases

\$171,899 lease starting September 2019 for the purchase of a copy machine. Due in monthly principal and interest installments of \$3,299 at 5.70% until August 2024. Payments are to be made from the General Fund.

\$ 44,585

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Debt Service Requirements

Annual requirements on long term debt at June 30, 2023 are as follows:

Year Ending June 30	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2024	\$ 7,461,759	\$ 2,201,370	\$ 2,291,887	\$ 630,241
2025	7,546,759	2,009,845	2,376,314	591,777
2026	7,651,759	1,811,312	2,454,547	538,933
2027	7,766,759	1,601,750	2,535,475	484,347
2028	7,906,759	1,428,727	2,619,193	427,957
2029 - 2033	41,548,795	4,563,638	10,202,044	1,397,148
2034 - 2038	20,872,141	935,428	6,145,151	369,868
2039 - 2043	4,591,503	(1,703)	593,030	11,871
Totals	<u>\$ 105,346,234</u>	<u>\$ 14,550,367</u>	<u>\$ 29,217,641</u>	<u>\$ 4,452,142</u>

Year Ending June 30	Special Assessments		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 166,955	\$ 38,670	\$ 38,036	\$ 1,558
2025	162,295	25,310	6,549	50
2026	115,506	20,624	-	-
2027	115,506	17,679	-	-
2028	115,506	14,733	-	-
2029 - 2033	223,802	43,131	-	-
2034 - 2038	137,245	11,837	-	-
Totals	<u>\$ 1,036,815</u>	<u>\$ 171,984</u>	<u>\$ 44,585</u>	<u>\$ 1,608</u>

Year Ending June 30	Total Long-Term Debt	
	Principal	Interest
2024	\$ 9,958,637	\$ 2,871,839
2025	10,091,917	2,626,982
2026	10,221,812	2,370,869
2027	10,417,740	2,103,776
2028	10,641,458	1,871,417
2029 - 2033	51,974,641	6,003,917
2034 - 2038	27,154,537	1,317,133
2039 - 2043	5,184,533	10,168
Totals	<u>\$ 135,645,275</u>	<u>\$ 19,176,101</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 7 LEASES

The District leases three copy machines and two athletic spaces, one for ice activities and one for aquatic activities. The term of the leases range from 18-60 months, commencing on July 1, 2021 and terminating at various dates until August 1, 2024 with annual rent payments ranging from \$5,007-\$46,150.

The following is the total lease expense for the year ended June 30, 2023:

Amortization expense	\$ 196,164
Interest on lease liabilities	<u>6,127</u>
Lease expense	<u><u>\$ 202,291</u></u>

NOTE 8 SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District entered into subscription-based information technology arrangements (SBITAs) with various vendors for the usage of various computer and education software. The SBITA contracts commenced on July 1, 2022 and terminate at various dates until 2025, with annual payments ranging from \$2,306-\$31,388.

The following is a schedule of activity of SBITA assets and SBITA liabilities for the year ended June 30, 2023:

	Beginning of Year	Additions	Subtractions	End of Year
SBITA Assets	<u>\$ 947,040</u>	<u>\$ 38,317</u>	<u>\$ -</u>	<u>\$ 985,357</u>
Less: Accumulated Amortization	<u>-</u>	<u>(302,914)</u>	<u>-</u>	<u>(302,914)</u>
Total SBITA Assets, net	<u><u>\$ 947,040</u></u>	<u><u>\$ (264,597)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 682,443</u></u>

On July 1, 2022, the District recognized prepaid expenditures of \$762,198 related to payments made before implementation date that were not required to be included in the initial measurement of the SBITA liability, but are included in the SBITA asset.

The following is the total SBITA expense for the year ended June 30, 2023:

SBITA assets	<u>\$ 302,914</u>
Total amortization expense	<u>302,914</u>
Interest on SBITA liabilities	<u>3,514</u>
Total	<u><u>\$ 306,428</u></u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

The following is a schedule, by years, of future minimum payments required under the SBITA contract:

For the Year Ending June 30,	Principal	Interest	Total Payments
2024	\$ 69,602	\$ 3,514	\$ 73,116
2025	52,166	1,506	53,672
Total	<u>\$ 121,768</u>	<u>\$ 5,020</u>	<u>\$ 126,788</u>

NOTE 9 FUND BALANCES

At June 30, 2023, a summary of the governmental fund balance classifications are as follows:

	General Fund	Building Fund	Food Service Fund	Special Revenue Funds	Debt Service Funds	Total
Non-spendable:						
Prepays	\$ 743,917	\$ -	\$ -	\$ -	\$ -	\$ 743,917
Inventories	-	-	174,125	-	-	174,125
Restricted:						
Debt Service	-	-	-	-	5,031,773	5,031,773
Career and Technical Education	-	-	-	116,931	-	116,931
Teacher Learning Center	-	-	-	35,768	-	35,768
Assigned:						
Food Service	-	-	5,373,998	-	-	5,373,998
Activities	-	-	-	2,915,879	-	2,915,879
Unassigned:						
General Fund	14,348,803	-	-	-	-	14,348,803
Building Fund	-	(5,465,485)	-	-	-	(5,465,485)
	<u>\$ 15,092,720</u>	<u>\$ (5,465,485)</u>	<u>\$ 5,548,123</u>	<u>\$ 3,068,578</u>	<u>\$ 5,031,773</u>	<u>\$ 23,275,709</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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Bismarck Public School District pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses on two million dollars per occurrence for general liability and automobile. The district insures machinery and equipment with the Hartford Steam Boiler Inspection and Insurance Company. Coverage is limited to \$100,000,000.

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The Bismarck Public School District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Both of these funds are now managed by the NDIRF. The District pays an annual premium to the NDIRF on behalf of the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by NDIRF. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees.

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

The District has retained risk for employee health and dental insurance up to a maximum of \$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 \$2,329,000 as of June 30, 2023. 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, 2022	\$ 2,247,000
Incurred claims including incurred but not reported	31,067,819
Less: claims paid	<u>(30,985,819)</u>
Balance, June 30, 2023	<u>\$ 2,329,000</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.

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JUNE 30, 2023

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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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, 2023, the District reported a liability of \$156,288,542 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the Employer's proportion was 10.733713 percent, which was an increase of 0.256862 percent from its proportion measured at June 30, 2021.

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For the year ended June 30, 2023, the Employer recognized pension expense of \$9,297,080. At June 30, 2023, 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	\$ 673,513	\$ 4,172,826
Changes of assumptions	3,177,978	-
Net difference between projected and actual earnings on pension plan investments	11,706,238	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,435,305	1,918,493
Employer contributions subsequent to the measurement date	11,288,055	-
	<u>\$ 30,281,089</u>	<u>\$ 6,091,319</u>

\$11,288,055 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

Year ended June 30:	
2023	\$ 2,065,810
2024	722,000
2025	(1,155,730)
2026	10,030,224
2027	458,026
Thereafter	781,385

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Actuarial Assumptions

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

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

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

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

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

The long-term expected rate of return on TFFR 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 TFFR target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55%	6.61%
Global Fixed Income	26%	0.35%
Global Real Assets	18%	4.60%
Cash Equivalents	1%	-1.05%

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JUNE 30, 2023

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2022, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25 percent as of June 30, 2022, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net pension liability	\$ 214,726,126	\$ 156,288,542	\$ 107,821,929

Pension Plan Fiduciary Net Position

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

NOTE 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.

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

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member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). 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. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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.

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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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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, 2023, the Employer reported a liability of \$77,852,347 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the Employer's proportion was 2.703144 percent, which was an increase of 0.092554 percent from its proportion measured at June 30, 2021.

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For the year ended June 30, 2023, the Employer recognized pension expense of \$11,049,691. At June 30, 2023, 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	\$ 406,102	\$ 1,487,115
Changes of assumptions	46,556,850	28,862,670
Net difference between projected and actual earnings on pension plan investments	2,849,378	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,193,991	271,078
Employer contributions subsequent to the measurement date	2,529,164	-
	<u>\$ 54,535,485</u>	<u>\$ 30,620,863</u>

\$2,529,164 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 ending June 30, 2024.

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

Year ended June 30:	
2024	\$ 6,263,827
2025	7,038,731
2026	646,589
2027	7,436,311

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JUNE 30, 2023

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

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

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JUNE 30, 2023

date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%, the municipal bond rate is 3.69%, and the resulting Single Discount Rate is 5.10%.

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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease 4.10%	Current Discount Rate 5.10%	1% Increase 6.10%
Employer's proportionate share of the net pension liability	\$ 102,759,743	\$ 77,852,347	\$ 57,404,237

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.

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. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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.

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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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2023, the Employer reported a liability of \$2,836,222 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the Employer's proportion was 2.362909 percent, which was an increase of 0.045848 percent from its proportion measured at June 30, 2021.

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For the year ended June 30, 2023, the Employer recognized OPEB expense of \$484,020. At June 30, 2023, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,237	\$ 24,390
Changes of assumptions	714,411	-
Net difference between projected and actual earnings on pension plan investments	381,888	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	93,542	58,862
Employer contributions subsequent to the measurement date	276,863	-
	<u>\$ 1,533,941</u>	<u>\$ 83,252</u>

\$276,863 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 liability in the year ending June 30, 2024.

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:	
2024	\$ 309,315
2025	289,347
2026	248,191
2027	326,973

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad US Equities	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	0.22%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease 4.39%	Current Discount Rate 5.39%	1% Increase 6.39%
Employer's proportionate share of the net OPEB liability	\$ 3,620,267	\$ 2,836,222	\$ 2,178,038

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, 2023.

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, 2023 was \$811,973.

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.

	Total Construction Commitments Under Contract at June 30, 2023	Amounts Expensed Prior to June 30, 2023	Remaining Construction Commitments at June 30, 2023
Legacy High School	\$ 12,426,691	\$ 9,930,666	\$ 2,496,025
Lincoln Elementary	7,956,404	1,439,220	6,517,184
Hughes CTE	1,425,516	718,302	707,214
	<u>\$ 21,808,611</u>	<u>\$ 12,088,188</u>	<u>\$ 9,720,423</u>

In addition to construction contracts, the District entered into other commitments before year end. The District agreed to commit \$3.5 million to Bismarck Parks in order to fund the construction of a new hockey rink. \$3.03 million has been paid to Bismarck Parks as of June 30, 2023.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 17 TRANSFERS

Transfers for the year ended June 30, 2023 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 7,000,000
Building fund	7,000,000	-
Total transfers	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>

Transfers to the building fund were to fund capital projects in the current year.

NOTE 18 INTERFUND PAYABLES AND RECEIVABLES

Interfund balances for the year ended June 30, 2023 were as follows:

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
General fund	\$ 2,943,497	\$ -
Building fund	-	2,943,497
	<u>\$ 2,943,497</u>	<u>\$ 2,943,497</u>

Interfund transactions were to cover negative cash balances in the building fund.

NOTE 19 FUTURE PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 20 SUBSEQUENT EVENTS

No subsequent events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 27, 2024, which is the date these financial statements were available to be issued.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance With Budget
REVENUES				
Local sources	\$ 48,248,371	\$ 48,248,371	\$ 47,703,339	\$ (545,032)
State sources	130,006,459	130,217,507	129,863,803	(353,704)
Federal sources	32,762,986	32,551,938	26,506,570	(6,045,368)
TOTAL REVENUES	211,017,816	211,017,816	204,073,712	(6,944,104)
EXPENDITURES				
Current				
Regular instruction	105,328,694	104,925,299	104,169,049	(756,250)
Special education	40,790,894	40,298,774	38,272,207	(2,026,567)
Career and technical education	6,005,520	5,998,066	6,524,559	526,493
District wide services	30,022,070	20,269,010	13,420,362	(6,848,648)
Operations and maintenance	17,613,973	17,645,473	16,692,928	(952,545)
Transportation	5,986,051	6,005,229	6,191,407	186,178
Co-curricular activities	6,769,070	6,769,070	6,142,025	(627,045)
Other	3,198,861	3,460,059	3,202,091	(257,968)
Debt Service:				
Principal	818,515	818,515	1,085,457	266,942
Interest	191,311	191,311	197,107	5,796
Capital outlay	-	-	2,573,997	2,573,997
TOTAL EXPENDITURES	216,724,959	206,380,806	198,471,189	(7,909,617)
Excess (deficiency) of revenues over expenditures	<u>(5,707,143)</u>	<u>4,637,010</u>	<u>5,602,523</u>	<u>965,513</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from SBITA asset	-	-	4,621	(4,621)
Proceeds from sale of capital asset	-	-	7,000	7,000
Transfers out	-	(10,344,153)	(7,000,000)	(3,344,153)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(10,344,153)</u>	<u>(6,988,379)</u>	<u>(3,341,774)</u>
Net change in fund balances	<u>\$ (5,707,143)</u>	<u>\$ (5,707,143)</u>	<u>(1,385,856)</u>	<u>\$ (2,376,261)</u>
Fund balances - beginning, as originally stated			16,578,715	
GASB 96 adjustment - see note 2			<u>(100,139)</u>	
Fund balances - beginning of year, restated			<u>16,478,576</u>	
Fund balances - ending			<u>\$ 15,092,720</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
2023	10.733713%	\$ 156,288,542	\$ 84,464,921	185.03%	67.50%
2022	10.476850%	110,389,891	80,745,044	136.71%	75.70%
2021	10.464261%	160,155,871	76,353,593	209.76%	63.40%
2020	10.586113%	145,797,572	74,264,596	196.32%	65.50%
2019	10.706402%	142,701,175	72,783,129	196.06%	65.50%
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
2023	2.703144%	\$ 77,852,347	\$ 31,379,085	248.10%	54.47%
2022	2.610590%	27,210,194	29,562,085	92.04%	78.26%
2021	2.634385%	82,878,316	29,060,447	285.19%	48.91%
2020	2.541659%	29,790,083	26,437,584	112.68%	71.66%
2019	2.468742%	41,662,714	25,361,813	164.27%	62.80%
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	18,919,546	75.35%	77.70%

* 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'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
2023	2.362909%	\$ 2,836,222	\$ 24,394,787	11.63%	56.28%
2022	2.317061%	1,288,687	25,261,935	5.10%	76.63%
2021	2.448348%	2,059,544	27,910,448	7.38%	63.38%
2020	2.369261%	1,902,961	26,437,584	7.20%	63.13%
2019	2.317805%	1,825,429	25,361,813	7.20%	61.89%
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
2023	\$ 11,288,055	\$ (11,288,055)	\$ -	\$ 88,533,765	12.75%
2022	10,769,278	(10,769,278)	-	84,464,921	12.75%
2021	10,294,993	(10,294,993)	-	80,745,044	12.75%
2020	9,735,086	(9,735,086)	-	76,353,593	12.75%
2019	9,468,736	(9,468,736)	-	74,264,596	12.75%
2018	9,279,851	(9,279,851)	-	72,783,129	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
2023	\$ 2,529,164	\$ (2,529,164)	\$ -	\$ 33,971,261	7.45%
2022	2,380,429	(2,380,429)	-	32,378,373	7.35%
2021	2,181,499	(2,181,499)	-	30,090,157	7.25%
2020	2,058,699	(2,058,699)	-	28,836,155	7.14%
2019	1,950,138	(1,950,138)	-	27,389,579	7.12%
2018	1,870,272	(1,870,272)	-	26,267,865	7.12%
2017	1,797,755	(1,797,755)	-	25,249,368	7.12%
2016	1,559,883	(1,559,883)	-	21,908,469	7.12%
2015	1,570,339	(1,570,339)	-	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*

	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
2023	\$ 276,863	\$ (276,863)	\$ -	\$ 24,286,228	1.14%
2022	294,026	(294,026)	-	25,791,754	1.14%
2021	303,948	(303,948)	-	26,662,105	1.14%
2020	323,165	(323,165)	-	28,347,807	1.14%
2019	312,245	(312,245)	-	27,389,912	1.14%
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, 2023

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 AND BENEFIT TERMS

TFFR Pension Plan

Changes of assumptions

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

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

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2023

- 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

Changes of benefit terms

The interest rate earned on member contributions will decrease from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

NDPERS OPEB

Changes of benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Activities	CRACTC	TLC/CREA		
ASSETS					
Cash and cash equivalents	\$ 2,772,714	\$ 32,386	\$ 16,572	\$ 5,011,909	\$ 7,833,581
Taxes receivable	-	-	-	356,863	356,863
Intergovernmental receivable	357,632	197,441	20,354	-	575,427
Due from county treasurer	-	-	-	19,864	19,864
TOTAL ASSETS	<u>\$ 3,130,346</u>	<u>\$ 229,827</u>	<u>\$ 36,926</u>	<u>\$ 5,388,636</u>	<u>\$ 8,785,735</u>
LIABILITIES					
Accounts, salaries and benefits payable	\$ 214,467	\$ 112,896	\$ 1,158	\$ -	\$ 328,521
TOTAL LIABILITIES	<u>214,467</u>	<u>112,896</u>	<u>1,158</u>	<u>-</u>	<u>328,521</u>
DEFERRED INFLOWS OF RESOURCES					
Delinquent taxes	-	-	-	356,863	356,863
FUND BALANCES					
Restricted	-	116,931	35,768	5,031,773	5,184,472
Assigned	2,915,879	-	-	-	2,915,879
TOTAL FUND BALANCES	<u>2,915,879</u>	<u>116,931</u>	<u>35,768</u>	<u>5,031,773</u>	<u>8,100,351</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,130,346</u>	<u>\$ 229,827</u>	<u>\$ 36,926</u>	<u>\$ 5,388,636</u>	<u>\$ 8,785,735</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2023

	G.O. Bonds of 2012	G.O. Bonds of 2014	G.O. Bonds of 2017A	G.O. Bonds of 2017B	G.O. Bonds of 2018	G.O. Bonds of 2019	G.O. Bonds of 2020	G.O. Bonds of 2020C	Total Debt Service Funds
ASSETS									
Cash and cash equivalents	\$ 636,434	\$ 650,038	\$ 1,014,431	\$ 292,757	\$ 340,066	\$ 166,110	\$ 1,905,173	\$ 6,900	\$ 5,011,909
Taxes receivable	22,883	35,537	89,259	12,619	22,546	23,699	148,614	1,706	356,863
Due from county treasurer	1,274	1,979	4,967	702	1,255	1,320	8,273	94	19,864
TOTAL ASSETS	<u>\$ 660,591</u>	<u>\$ 687,554</u>	<u>\$ 1,108,657</u>	<u>\$ 306,078</u>	<u>\$ 363,867</u>	<u>\$ 191,129</u>	<u>\$ 2,062,060</u>	<u>\$ 8,700</u>	<u>\$ 5,388,636</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	\$ 22,883	\$ 35,537	\$ 89,259	\$ 12,619	\$ 22,546	\$ 23,699	\$ 148,614	\$ 1,706	\$ 356,863
Total liabilities	<u>22,883</u>	<u>35,537</u>	<u>89,259</u>	<u>12,619</u>	<u>22,546</u>	<u>23,699</u>	<u>148,614</u>	<u>1,706</u>	<u>356,863</u>
FUND BALANCES									
Restricted for debt service	637,708	652,017	1,019,398	293,459	341,321	167,430	1,913,446	6,994	5,031,773
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 660,591</u>	<u>\$ 687,554</u>	<u>\$ 1,108,657</u>	<u>\$ 306,078</u>	<u>\$ 363,867</u>	<u>\$ 191,129</u>	<u>\$ 2,062,060</u>	<u>\$ 8,700</u>	<u>\$ 5,388,636</u>

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, 2023

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Activities	CRACTC	TLC/CREA		
REVENUES					
Local sources	\$ 3,191,821	\$ 515,929	\$ 13,518	\$ 10,414,654	\$ 14,135,922
State sources	2,747,671	669,122	-	-	3,416,793
Federal sources	-	82,957	20,354	-	103,311
TOTAL REVENUES	<u>5,939,492</u>	<u>1,268,008</u>	<u>33,872</u>	<u>10,414,654</u>	<u>17,656,026</u>
EXPENDITURES					
Current					
Regular instruction	-	-	14,456	-	14,456
Career and technical education	-	1,198,236	-	-	1,198,236
District wide services	-	-	20,354	-	20,354
Co-curricular activities	5,860,438	-	-	-	5,860,438
Debt Service					
Principal	-	-	-	7,091,401	7,091,401
Interest	-	-	-	2,519,998	2,519,998
Service charges	-	-	-	25,226	25,226
Capital Outlay	87,812	52,440	-	-	140,252
TOTAL EXPENDITURES	<u>5,948,250</u>	<u>1,250,676</u>	<u>34,810</u>	<u>9,636,625</u>	<u>16,870,361</u>
Net change in fund balances	<u>(8,758)</u>	<u>17,332</u>	<u>(938)</u>	<u>778,029</u>	<u>785,665</u>
Fund balances - beginning	<u>2,924,637</u>	<u>99,599</u>	<u>36,706</u>	<u>4,253,744</u>	<u>7,314,686</u>
Fund balances - ending	<u>\$ 2,915,879</u>	<u>\$ 116,931</u>	<u>\$ 35,768</u>	<u>\$ 5,031,773</u>	<u>\$ 8,100,351</u>

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, 2023

	G.O. Bonds of 2012	G.O. Bonds of 2014	G.O. Bonds of 2017A	G.O. Bonds of 2017B	G.O. Bonds of 2018	G.O. Bonds of 2019	G.O. Bonds of 2020	G.O. Bonds of 2020C	Total Debt Service Funds
REVENUES									
Local sources	\$ 668,821	\$ 1,037,722	\$ 2,599,992	\$ 368,223	\$ 657,988	\$ 691,892	\$ 4,338,965	\$ 51,051	\$ 10,414,654
EXPENDITURES									
Debt Service									
Principal	515,000	711,744	1,405,000	262,455	437,202	360,000	3,365,000	35,000	7,091,401
Interest	107,688	243,207	991,806	87,394	168,215	275,900	631,800	13,988	2,519,998
Service charges	10,633	9,437	1,258	63	63	1,258	1,258	1,256	25,226
Total expenditures	<u>633,321</u>	<u>964,388</u>	<u>2,398,064</u>	<u>349,912</u>	<u>605,480</u>	<u>637,158</u>	<u>3,998,058</u>	<u>50,244</u>	<u>9,636,625</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>35,500</u>	<u>73,334</u>	<u>201,928</u>	<u>18,311</u>	<u>52,508</u>	<u>54,734</u>	<u>340,907</u>	<u>807</u>	<u>778,029</u>
NET CHANGE IN FUND BALANCES	<u>35,500</u>	<u>73,334</u>	<u>201,928</u>	<u>18,311</u>	<u>52,508</u>	<u>54,734</u>	<u>340,907</u>	<u>807</u>	<u>778,029</u>
FUND BALANCE - BEGINNING	<u>602,208</u>	<u>578,683</u>	<u>817,470</u>	<u>275,148</u>	<u>288,813</u>	<u>112,696</u>	<u>1,572,539</u>	<u>6,187</u>	<u>4,253,744</u>
FUND BALANCE - ENDING	<u>\$ 637,708</u>	<u>\$ 652,017</u>	<u>\$ 1,019,398</u>	<u>\$ 293,459</u>	<u>\$ 341,321</u>	<u>\$ 167,430</u>	<u>\$ 1,913,446</u>	<u>\$ 6,994</u>	<u>\$ 5,031,773</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through North Dakota Department of Public Instruction:				
School Breakfast Program	10.553	F10553		\$ 740,631
National School Lunch Program	10.555	F10555		2,774,267
National School Lunch Program - commodities	10.555	N/A		783,694
National School Lunch Program - supply chain assistance	10.555S	F10555S		299,286
Summer Food Service Program	10.559	F10559		243,772
Summer Food Service Program - commodities	10.559	N/A		28,279
Fresh Fruit and Vegetable Program	10.582	F10582		117,583
Child Nutrition Cluster				<u>4,987,512</u>
Administrative Expenses for Child Nutrition	10.560	F10560		17,828
Child and Adult Care Food Program	10.558	F10558		<u>128,012</u>
Total U.S. Department of Agriculture				<u>5,133,352</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through City of Bismarck:				
CDBG Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-20-MW-38-0003		<u>6,214</u>
U.S. DEPARTMENT OF INTERIOR				
Passed through Standing Rock Sioux Tribe:				
477 Cluster:				
Indian Education - Assistance to Schools	15.130	N/A		<u>86,791</u>
U.S. DEPARTMENT OF JUSTICE				
Juvenile Justice Stage Advisory Group	16.540			<u>7,358</u>
FEDERAL COMMUNICATIONS COMMISSION				
COVID-19: Emergency Connectivity Fund	32.009			<u>1,157,160</u>
ENVIRONMENTAL PROTECTION AGENCY				
Passed through North Dakota Department of Environmental Quality				
Diesel Emissions Reduction Act Grants	66.040	G19.059		<u>31,625</u>
U.S. DEPARTMENT OF EDUCATION				
Indian Education - Grants to Local Education Associations	84.060			355,591
Passed through the State Board of Career and Technical Education:				
Career and Technical Education - Basic				
Grants to States (Perkins IV)	84.048	2038		301,522
Passed through North Dakota Department of Public Instruction:				
Adult Education	84.002	F84002A		129,882
Title I - Grants to LEAs	84.010	F84010		3,172,359
Special Education-Grants to States	84.027	F84027A		4,522,487
Special Education-Preschool Grants	84.173	F84173A		89,924
Special Education Cluster (IDEA)				<u>4,612,410</u>
Education for Homeless Children and Youth	84.196	F84196A		52,229
English Language Acquisition Grants	84.365	F84365A		68,937
Supporting Effective Instruction State Grants	84.367	F84367		806,085
Comprehensive Literacy Development	84.371	F84371C / F84371C2		985,477
Student Support and Academic Enrichment Program	84.424	F84424A		321,840
COVID-19: Education Stabilization Fund	84.425	F84425D / F84425U / F84425W		<u>13,023,926</u>
Total U.S. Department of Education				<u>23,830,257</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Head Start Cluster:				
Head Start	93.600			2,052,080
Passed through North Dakota Department of Human Services:				
Refugee and Entrant Assistance Programs	93.566	2102NDRSSS		58,091
Total U.S. Department of Health and Human Services				<u>2,110,171</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through North Dakota Department of Emergency Services:				
Homeland Security Grant Program	97.067	EMW-2022-SS-00076		<u>208,912</u>
Total expenditures of federal awards				<u>\$ 32,571,841</u>

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, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards (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.

NOTE 2 INDIRECT COST RATE

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 BASIS OF PRESENTATION

The accompanying 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, 2023. 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). Because the schedule presents only a selected portion of the operations of Bismarck Public School District No. 1, it is not intended to and does not present the financial positions, changes in net position, or cash flows of Bismarck Public School District No. 1. 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 4 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 5 RECONCILIATION TO FINANCIAL STATEMENTS

The schedule of expenditures of federal awards includes \$5,723,325 of federal funds expended and related federal revenue that is recorded in the District's various special revenue funds. These amounts, combined with federal revenues and expenditures in the general fund of \$26,506,570 and the Emergency Connectivity Fund of \$1,157,160, less revenues of \$815,215 for the Regional Workforce Impact Program (RWIP), equals total federal revenue and expenditures of \$32,571,841.

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

Independent Auditor's Report

School Board
Bismarck Public School District
Bismarck, North Dakota

Report on the Audit of the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1 as of and for the years ended June 30, 2023, 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 March 27, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *Schedule of Audit Findings and Questioned Costs* as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bismarck Public School District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as items 2023-001 and 2023-002.

Bismarck Public School District No. 1's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Bismarck Public School District No. 1's response to the findings identified in our audit and described in the accompanying *schedule of audit findings and questions costs*. Bismarck Public School District No. 1's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 27, 2024

STATE AUDITOR
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bismarck Public School District No. 1's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, Bismarck Public School District No. 1 complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bismarck Public School District No. 1 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bismarck Public School District No. 1's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Bismarck Public School District No. 1's federal programs.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Continued

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bismarck Public School District No. 1's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bismarck Public School District No. 1's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bismarck Public School District No. 1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Bismarck Public School District No. 1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Bismarck Public School District No. 1's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Continued**

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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 27, 2024

BISMARCK PUBLIC SCHOOL DISTRICT NO.1

Summary of Auditor's Results
For the Year Ended June 30, 2023

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	_____ Yes	<u> X </u> None	Noted
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	_____ None	Noted
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> None	Noted

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	_____ Yes	<u> X </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None	noted
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	_____ Yes	<u> X </u> None	noted

Identification of Major Programs

ALN Number	Name of Federal Program or Cluster
32.009	Emergency Connectivity Fund
84.425	COVID 19 – Education Stabilization
84.371	Comprehensive Literacy State Development
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and B programs:	<u> \$ 977,155 </u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

SECTION I – FINANCIAL STATEMENT FINDINGS

2023-001 CONSTRUCTION MANAGER AT-RISK – SIGNIFICANT DEFICIENCY AND OTHER NONCOMPLIANCE

Condition

Bismarck Public School District hired a Construction Manager At-Risk (CMAR) for the construction of two schools which included the Silver Ranch Elementary School and the Legacy High School. Under N.D.C.C 48-01.2-20, Bismarck Public School District is required to follow all elements listed in this state law. During testing, it was found that the following elements were not adhered to as stated below:

Silver Ranch Elementary

Selection Committee:

Did not include a registered architect in this committee prior to the establishing the content for the Request for Qualifications (RFQs)

Did not include a "licensed" contractor.

Evaluation of submitted RFQ to become the CMAR:

Documentation was unable to be provided by the school district for the ranking and evaluations of the submissions from the outside parties.

Documentation was unable to be provided for the school district's evaluation of the 3 highest ranked CMARs, including the final selection.

Legacy High School

Selection Committee:

Did not include a registered architect in this committee prior to the establishing the content for the Request for Qualifications (RFQs)

Did not include a "licensed" contractor.

Did not include a "registered" engineer.

RFQ Criteria:

c. The proposed budget limits of the public improvement were not listed.

Evaluation of submitted RFQ to become the CMAR:

Documentation was unable to be provided by the school district for the ranking and evaluations of the submissions from the outside parties.

Documentation was unable to be provided for the school district's evaluation of the 3 highest ranked CMARs, including the final selection.

Criteria

N.D.C.C. §48-01.2-20 includes, but is not limited to, the following requirements:

- A governing body electing to utilize a construction management at-risk delivery process for a proposed public improvement shall create a selection committee composed of; an administrative individual from the governing body, a registered architect, a registered engineer, and a licensed contractor.
- The selection committee shall establish the content of the request for qualifications, which must include (but is not limited to); the identity of the governing body and a list of the members of the selection committee, description of the proposed public improvement, proposed budget limits of the public improvement, commencement and completion date of the proposed public improvement, and the description of the scope of services to be provided.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**Schedule of Audit Findings and Questioned Costs – Continued**

- The selection committee shall determine the appropriate evaluation criteria for each request for qualifications including (but not limited to); the person's experience on any similar project, the person's existing workload and available capacity, the person's key personnel experience on any similar project, the person's safety record, the person's fees and expenses, and the person's compliance with state and federal law.
- The selection committee shall review each proposal submitted and include the three highest ranked construction managers at-risk on a list of finalists. If fewer than three proposals were submitted, the governing body may resolicit for qualifications, interview any person that applied, or consider using another allowed delivery method. The selection committee shall recommend to the governing body the construction manager at-risk receiving the highest score on the evaluation criteria.
- If a construction manager at-risk selected for a public improvement declines the appointment or is unable to reach agreement with the governing body concerning fees or terms of the contract, the governing body shall terminate negotiations with the construction manager at-risk and begin negotiations with the construction manager at-risk with the next highest score and continue that process until agreement is reached or the list of finalists is exhausted.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is made up of five components which include Control Environment, Risk Assessment, Information and Communication, monitoring activities, and existing control activities. Existing Control Activities for example, are the actions established through policies and procedures to help management carry out specific directives throughout an activity such as selecting a CMAR in accordance with state law.

Cause

The School District does not have adequate procedures in place, including retaining all documentation of the selection process, to ensure compliance with all elements of N.D.C.C 48-01.2-20.

Effect

Bismarck Public School District may have chosen a Construction Manager At-Risk without the necessary request for qualifications and the required selection process for final approval of the school board.

Repeat Finding

No.

Recommendation

We recommend Bismarck Public School District update its procedures to ensure that all elements of N.D.C.C 48-01.2-20 are followed during the selection of a Construction Manager At-Risk.

Bismarck Public School District's Response

See Corrective Action Plan

2023-002 CONFLICT OF INTEREST – SIGNIFICANT DEFICIENCY AND OTHER NONCOMPLIANCE

Condition

Bismarck Public Schools does not have procedures in place to obtain potential conflict of interests from staff. Without this information, BPS is unable to reasonably assure that conflicts of interest do not exist when entering into contracts or conducting business with vendors.

Criteria

Staff Conflict of Interest

The Bismarck School Board and administration not only prescribe that staff members of the Bismarck Public Schools adhere to all laws regarding conflict of interest, but also be alert to and avoid situations which have the appearance of a conflict of interest. The School Board discourages substantial and continuing school related business relationships between Board and staff. This policy prescribes a mandatory code of conduct that will be followed by all members of the staff and vendor/contractors in the business of providing goods and/or services to the school system. The policy will apply to, but not be limited to, the following situations: 1. Awarding of any and all building and construction contracts regardless of amount; 2. Awarding of any and all contracts for the providing of goods; e.g., football equipment; basketball equipment, track shoes, films, books, food services and items of a like nature; 3. Awarding of any and all contracts for the providing of services, e.g., window washing, accounting, architectural, cartage, snow removal, security, pre-employment physicals and other services of a like nature; 4. Selection of financial institutions for the deposit of funds; 5. Such other relationships as the Board determines.

Standards Determining Conflict of Interest

For the purpose of this policy, a conflict of interest is deemed to exist whenever the employee has a personal, professional (e.g., business interest outside scope of employment), or pecuniary interest in a district contract or matter to be decided by the Board or its designee. A conflict will also be deemed to exist whenever the employee's spouse, relative, business or professional associate has a personal, professional, or pecuniary interest in a district contract or matter to be decided by the Board or its designee. For the purposes of this policy relative is defined as parent, sibling, or child.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is made up of five components which include Control Environment, Risk Assessment, Information and Communication, monitoring activities, and existing control activities. Existing Control Activities, for example, are the actions established through policies and procedures to help management carry out specific directives throughout an activity such as obtaining information on possible conflicts of interest to ensure compliance with school policy.

Cause

Bismarck Public School District did not develop procedures to obtain potential conflicts of interest from staff.

Effect

Bismarck Public School District has an increased risk that contracts or various types of transactions with vendors violated the school district's conflict of interest policies.

Repeat Finding

No.

Recommendation

We recommend that Bismarck Public School District develop procedures to obtain potential conflicts of interest in order to reasonably assure that conflicts of interest are absent when entering into contracts or conducting business with vendors.

Bismarck Public School District's Response

See Corrective Action Plan



Corrective Action Plan – For the Year Ended June 30, 2023

2023-001

Contact Person

Darin Scherr, Business and Operations Manager

Corrective Action Plan

The District agrees with the finding as presented. The District will ensure that the registered architect is added to the committee prior to the establishment of the Request for Qualifications (RFQ). The District will either obtain a contractor's license or add a licensed contractor to the committee in the future. The District will either ensure the engineer's license has not lapsed or ensure there is a current registered engineer on the selection committee. The District will create procedures to ensure that the documentation establishing the ranking and evaluation of the submissions is properly kept on file. The District will ensure the budget limits of the public improvement are listed in the RFQ in future.

Completion Date

Corrective action will be completed before the next project in which the District intends to utilize a construction manager at risk (CMAR).

2023-002

Contact Person

Darin Scherr, Business and Operations Manager

Corrective Action Plan

The District agrees with the finding as presented. The District will create a formal process to ensure potential conflicts of interest are properly reported for any administrative staff or budget director.

Completion Date

Corrective action will be completed before the end of the current fiscal year. These procedures will then be completed on a go-forward basis during the process that already takes place for staff to read and acknowledge certain District policies annually.