

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
ROSTER OF SCHOOL OFFICIALS (UNAUDITED)
JUNE 30, 2021

Jon Lee	President
Dan Eastgate	Vice President
Karl Lembke	Board Member
Donnell Hushka	Board Member
Matt Sagsveen	Board Member
Dr. Jason Hornbacher	Superintendent
Brad Barnhardt	Elementary Assistant Superintendent
Dr. Ben Johnson	Secondary Assistant Superintendent
Darin Scherr	Business and Operations Manager

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Bismarck Public School District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As discussed in Note 19 to the financial statements, the District has retroactively restated the previously reported Net Position and Fund Balances in accordance with this statement. As discussed in Note 3, the 2020 financial statements have been restated to correct a material misstatement. Our opinions are modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2022 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 the 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.



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

January 11, 2022

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2021

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, 2021, with comparative data for the fiscal year ended June 30, 2020.

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 2020-21 are as follows:

- Net position of the District decreased \$7,608,318 as a result of the current year's operations. Governmental net position totaled \$(8,206,907) as of June 30, 2021.
- A prior period adjustment in an internal service fund decreased net position by \$1,669,754 (see note 3 for more details). A prior period adjustment to implement GASB 84 increased net position by \$1,843,612 (see note 19 for more details).
- Total revenues from all sources were \$216,636,297 and total expenditures were \$224,244,615.
- The District's general fund had \$188,280,137 in total revenues and other financing sources and \$186,539,988 in expenditures resulting in a net change in fund balance of \$1,740,149 for the year ended June 30, 2021.
- The unassigned general fund balance was \$21,549,223 as of June 30, 2021. This balance represents 11.55% 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, 2021?". 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, 2021

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, 2021, with comparative data for the fiscal year ended June 30, 2020.

As indicated in the financial highlights, the District's net position decreased by \$7,608,318 as a result of current year operations for the year ended June 30, 2021. Net position was also affected by prior period adjustments in an internal service fund and due to the implementation of GASB 84. These adjustments had a net impact of an increase of \$173,858 to ending net position. The District's net position is segregated into four separate categories. Net investment in capital assets decreased \$17,726,964. It should be noted that this net position amount is not available for future spending. It is the remaining undepreciated value of the District's capital assets, less any related debt that remains outstanding that was used to construct or acquire the capital assets. Restricted net position increased \$957,787. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position increased \$9,334,717. The unrestricted net position is available to meet the District's ongoing obligations.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

Table I
Net Position

	6/30/21	As Restated 6/30/20
ASSETS		
Current assets	\$ 99,141,756	\$ 56,579,040
Capital assets (net of accumulated depreciation)	271,872,866	265,150,467
Total assets	371,014,622	321,729,507
DEFERRED OUTFLOWS OF RESOURCES	80,574,367	34,426,791
LIABILITIES		
Current liabilities (exc. bonds payable, capital lease payable and compensated absences)	33,577,484	27,668,174
Bonds payable	119,984,752	92,948,261
Note payable	33,784,588	30,891,824
Special assessments payable	1,952,588	2,651,970
Net pension liability	243,034,187	175,587,655
Net OPEB liability	2,059,544	1,902,961
Long-term liabilities (exc. bonds and note payable and net pension liability)	4,110,307	3,910,952
Total liabilities	438,503,450	335,561,797
DEFERRED INFLOWS OF RESOURCES	21,292,446	23,223,652
NET POSITION		
Net investment in capital assets	124,895,775	142,622,739
Restricted for debt service, capital project, career and technical education and teacher learning center	4,150,112	3,192,325
Unrestricted	(137,252,794)	(148,444,215)
TOTAL NET POSITION (DEFICIT)	\$ (8,206,907)	\$ (2,629,151)

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

Table II shows the changes in net position for the fiscal year ended June 30, 2021.

Table II
Changes in Net Position

	2020-2021	As Restated 2019-2020
REVENUES		
Program revenues		
Charges for services	\$ 4,496,395	\$ 5,425,478
Operating grants and contributions	37,235,658	21,567,979
General revenues		
Property taxes	52,988,328	52,652,840
State aid - unrestricted	120,950,108	117,043,078
Interest earnings and miscellaneous revenue	965,808	1,143,630
Total revenues	216,636,297	197,833,005
EXPENSES		
Regular instruction	106,570,495	98,836,602
Special education	37,221,632	31,364,652
Career and technical education	7,951,839	7,405,786
District wide services	19,465,445	14,258,877
School food services	7,723,967	7,494,775
Operations and maintenance	19,806,316	15,239,788
Student transportation	5,930,790	5,243,835
Co-curricular activities	7,365,145	5,567,996
Other	8,575,548	8,170,403
Net loss on sale of capital assets	45,486	41,004
Debt service	3,587,952	6,724,544
Total expenses	224,244,615	200,348,262
Change in net position	(7,608,318)	(2,515,257)
Total net position, beginning of year, as previously reported	(2,442,201)	1,742,810
GASB 84 implementation	1,843,612	-
Prior period adjustment	-	(1,669,754)
Total net position, beginning of year, restated	(598,589)	73,056
Net position (deficit) - ending	\$ (8,206,907)	\$ (2,442,201)

Unrestricted state aid constituted 56%, property taxes 24%, and operating grants and contributions 17% of the total revenues of governmental activities of the District for fiscal year 2021.

Regular instruction comprised 48%, special education 17%, and operations and maintenance 9% of total expenditures for governmental activities for fiscal year 2021.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

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 6/30/21		Year Ended 6/30/20	
	Total Cost	Net Cost	Total Cost	Net Cost
Regular instruction	\$ 106,570,495	\$ 93,849,739	\$ 98,836,602	\$ 93,735,258
Special education	37,221,632	28,708,745	31,364,652	23,216,813
Career and technical education	7,951,839	5,418,600	7,405,786	5,027,842
District wide services	19,465,445	18,027,359	14,258,877	12,925,168
School food services	7,723,967	(1,043,647)	7,494,775	175,672
Operations and maintenance	19,806,316	19,714,316	15,239,788	15,239,788
Student transportation	5,930,790	5,930,790	5,243,835	5,243,835
Co-curricular activities	7,365,145	5,272,905	5,567,996	4,992,132
Other	8,575,548	3,000,317	8,170,403	6,032,749
Net loss on sale of capital assets	45,486	45,486	41,004	41,004
Debt service	3,587,952	3,587,952	6,724,544	6,724,544
	<u>\$ 224,244,615</u>	<u>\$ 182,512,562</u>	<u>\$ 200,348,262</u>	<u>\$ 173,354,805</u>
Total expenses	<u>\$ 224,244,615</u>	<u>\$ 182,512,562</u>	<u>\$ 200,348,262</u>	<u>\$ 173,354,805</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 \$188,280,137 in total revenues and other financing sources and \$186,539,988 in expenditures resulting in a net increase in fund balance of \$1,740,149 for the year ended June 30, 2021. Total governmental funds had revenues and other financing sources in excess of expenditures and other financing uses in the amount of \$35,157,144 for the year ended June 30, 2021. This was primarily due to unspent bond proceeds in the building fund for on-going construction projects.

General Fund Budgeting Highlights

The District had budgeted for a \$3,878,655 net decrease to the general fund's fund balance for the year ended June 30, 2021, and actual amounts resulted in a net increase to general fund's fund balance of \$1,740,149. Actual revenues for year ended June 30, 2021 were \$3,671,700 less than the final budget. However, actual expenditures for the year ended June 30, 2021 were under budget by \$9,267,404 and other financing sources which were over budget by \$23,100.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

Capital Assets

As of June 30, 2021, the District had \$271,872,866 invested in capital assets, net of accumulated depreciation. Table IV shows balances as of June 30, 2021 and 2020:

Table IV
CAPITAL ASSETS
(Net of Accumulated Depreciation)

CAPITAL ASSETS	6/30/21	6/30/20
Land	\$ 15,812,798	\$ 13,224,375
Buildings	234,986,342	214,068,118
Furniture and equipment	1,464,937	1,211,255
Vehicles and equipment	2,269,175	1,975,498
Improvements other than buildings	11,067,953	9,227,617
Construction in progress	6,271,661	25,443,604
Total capital assets (net of depreciation)	\$ 271,872,866	\$ 265,150,467

For a detailed breakdown of the additions and deletions to each class of capital assets, readers are referred to Note 6 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 throughout the fiscal year.

Debt Administration

As of June 30, 2021, the District had \$155,862,665 in long-term debt. This is an increase of \$29,179,016 compared to the prior year total of \$126,683,649. The increase is attributable to the new bond issues related to the construction of two new elementary schools. Principal payments of \$9,915,863 are due during the 2021-2022 fiscal year on long-term debt. See note 8 for additional information on debt.

For the Future

The Bismarck Public School District is realizing a higher economic growth than the previous two years. For fiscal year 2021, the District's taxable valuation was \$511,300,211, an increase of 4.1% from 2020. The District's taxable valuation is expected to increase by 2.8% for fiscal year 2022.

District growth is projected at about 250 new students. Two new elementary schools are scheduled to open during fiscal year 2023. We are addressing capacity issues at Legacy High School with a classroom addition. The district has grown by over 2,500 students in the last ten years.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
JUNE 30, 2021

The District has sixteen elementary schools for the 6,219 students who were enrolled in grades kindergarten through fifth on the first day of the 2021-22 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 7,257 students.

Contacting the District's Financial Management

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Current assets	
Cash and cash equivalents	\$ 88,371,482
Cash and cash equivalents - restricted	324,614
Investments	334,000
Accounts receivable	995,265
Taxes receivable	1,682,787
Intergovernmental receivable	6,881,063
Due from county treasurer	96,889
Prepays	243,161
Inventory	212,495
Total current assets	<u>99,141,756</u>
Capital assets	
Non-depreciable	
Land	15,812,798
Construction in process	6,271,661
Depreciable, net of accumulated depreciation	
Buildings	234,986,342
Improvements other than buildings	11,067,953
Furniture and equipment	1,464,937
Vehicles and equipment	2,269,175
Total capital assets, net of depreciation	<u>271,872,866</u>
TOTAL ASSETS	<u>371,014,622</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - OPEB	790,436
Deferred outflow - pension	79,783,931
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>80,574,367</u>
LIABILITIES	
Current liabilities	
Accounts, salaries and benefits payable	24,619,927
Incurred but not reported claims	2,171,000
Interest payable	651,130
Unearned revenue	72,977
Unearned health insurance premiums	6,062,450
Long-term liabilities due within one year	
Bonds payable	7,276,759
Notes payable	2,325,641
Special assessments payable	257,326
Capital lease payable	56,137
Compensated absences payable	400,000
Total current liabilities	<u>43,893,347</u>
Long-term liabilities	
Long-term liabilities due after one year	
Net pension liability	243,034,187
Net OPEB liability	2,059,544
Bonds payable	112,707,993
Notes payable	31,458,947
Special assessments payable	1,695,262
Capital lease payable	84,600
Compensated absences payable	3,569,570
Total long-term liabilities	<u>394,610,103</u>
TOTAL LIABILITIES	<u>438,503,450</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - OPEB	49,378
Deferred inflow - pension	21,243,068
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,292,446</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	124,895,775
Restricted:	
Career and technical education	154,008
Teacher learning center	26,180
Capital projects	324,614
Debt service	3,645,310
Unrestricted	<u>(137,252,794)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (8,206,907)</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Regular instruction	\$ 106,570,495	\$ 454,622	\$ 12,266,134	\$ (93,849,739)
Special education	37,221,632	422,699	8,090,188	(28,708,745)
Career and technical education	7,951,839	506,649	2,026,590	(5,418,600)
District wide services	19,465,445	114,057	1,324,029	(18,027,359)
School food services	7,723,967	906,128	7,861,486	1,043,647
Operations and maintenance	19,806,316	-	92,000	(19,714,316)
Transportation	5,930,790	-	-	(5,930,790)
Co-curricular activities	7,365,145	2,092,240	-	(5,272,905)
Other	8,575,548	-	5,575,231	(3,000,317)
Net loss on sale of capital assets	45,486	-	-	(45,486)
Interest - unallocated	3,151,361	-	-	(3,151,361)
Bond service charges and costs	436,591	-	-	(436,591)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 224,244,615	\$ 4,496,395	\$ 37,235,658	(182,512,562)
GENERAL REVENUES				
Taxes				
Property taxes, levied for general purposes				36,553,246
Property taxes, levied for building purposes				6,127,203
Property taxes, levied for debt services				10,307,879
Unrestricted state aid				120,950,108
Unrestricted investment earnings				72,925
Miscellaneous revenue				892,883
TOTAL GENERAL REVENUES				174,904,244
Change in net position				(7,608,318)
Total net position - beginning of year, originally stated				(772,447)
GASB 84 adjustment - see note 19				1,843,612
Prior period adjustment - see note 3				(1,669,754)
Total net position - beginning of year, restated				(598,589)
Net position (deficit) - end of year				\$ (8,206,907)

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 34,245,979	\$ 31,666,773	\$ 8,756,199	\$ 74,668,951
Cash and cash equivalents - restricted	-	324,614	-	324,614
Investments	334,000	-	-	334,000
Accounts receivable	436,065	-	-	436,065
Taxes receivable	1,163,540	191,110	328,137	1,682,787
Intergovernmental receivable	6,500,291	-	380,772	6,881,063
Due from county treasurer	67,002	10,847	19,040	96,889
Prepays	243,161	-	-	243,161
Inventory	-	-	212,495	212,495
TOTAL ASSETS	<u>\$ 42,990,038</u>	<u>\$ 32,193,344</u>	<u>\$ 9,696,643</u>	<u>\$ 84,880,025</u>
LIABILITIES				
Accounts, salaries and benefits payable	\$ 19,961,137	\$ 3,010,125	\$ 675,584	\$ 23,646,846
Deferred revenue	72,977	-	-	72,977
TOTAL LIABILITIES	<u>20,034,114</u>	<u>3,010,125</u>	<u>675,584</u>	<u>23,719,823</u>
DEFERRED INFLOWS OF RESOURCES				
Delinquent taxes	1,163,540	191,110	328,137	1,682,787
FUND BALANCES				
Nonspendable	243,161	-	212,495	455,656
Restricted	-	28,992,109	3,950,167	32,942,276
Assigned	-	-	4,530,260	4,530,260
Unassigned	21,549,223	-	-	21,549,223
TOTAL FUND BALANCES	<u>21,792,384</u>	<u>28,992,109</u>	<u>8,692,922</u>	<u>59,477,415</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 42,990,038</u>	<u>\$ 32,193,344</u>	<u>\$ 9,696,643</u>	<u>\$ 84,880,025</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, 2021

Total fund balances - governmental funds		\$ 59,477,415
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	362,534,945	
Less accumulated depreciation	<u>(90,662,079)</u>	
Net capital assets		271,872,866
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		
		1,682,787
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.		
		79,783,931
Deferred outflows relating to the OPEB liability in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		
		790,436
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, 2021 are:		
Net pension liability	(243,034,187)	
Net OPEB liability	(2,059,544)	
Bonds payable	(119,984,752)	
Notes payable	(33,784,588)	
Special assessments payable	(1,952,588)	
Capital lease payable	(140,737)	
Interest payable	(651,130)	
Compensated absences	<u>(3,969,570)</u>	
Total long-term liabilities		(405,577,096)
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.		
		(21,243,068)
Deferred inflows relating to the OPEB liability in the government activities are not financial resources and, therefore not reported in the governmental funds.		
		(49,378)
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>5,055,200</u>
Total net position of governmental activities		<u>\$ (8,206,907)</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, 2021

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 39,563,186	\$ 6,615,680	\$ 11,844,688	\$ 58,023,554
State sources	126,007,231	-	2,629,543	128,636,774
Federal sources	22,686,620	-	7,717,394	30,404,014
TOTAL REVENUES	188,257,037	6,615,680	22,191,625	217,064,342
EXPENDITURES				
Current				
Regular instruction	95,320,888	-	48,556	95,369,444
Special education	32,294,755	-	-	32,294,755
Career and technical education	5,948,929	-	1,159,902	7,108,831
District wide services	16,531,597	-	-	16,531,597
School food services	-	-	6,598,665	6,598,665
Operations and maintenance	14,822,455	1,124,005	-	15,946,460
Transportation	5,201,706	-	-	5,201,706
Co-curricular activities	4,988,773	-	1,697,276	6,686,049
Other	7,794,278	-	-	7,794,278
Debt Service				
Principal	526,008	3,025,710	6,966,874	10,518,592
Interest	122,887	347,970	2,719,083	3,189,940
Issuance costs	-	-	2,641	2,641
Service charges	-	430,461	3,489	433,950
Capital outlay	2,987,712	10,685,444	80,126	13,753,282
TOTAL EXPENDITURES	186,539,988	15,613,590	19,276,612	221,430,190
Excess of revenues over (under) expenditures	1,717,049	(8,997,910)	2,915,013	(4,365,848)
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	38,575,138	-	38,575,138
Premium from sales of bonds	-	924,444	-	924,444
Proceeds from sale of capital asset	23,100	-	310	23,410
Transfers in	-	-	50,250	50,250
Transfers out	-	-	(50,250)	(50,250)
TOTAL OTHER FINANCING SOURCES (USES)	23,100	39,499,582	310	39,522,992
Net change in fund balances	1,740,149	30,501,672	2,915,323	35,157,144
Fund balances - beginning of year, originally stated	20,052,235	(1,509,563)	3,933,987	22,476,659
GASB 84 adjustment - see note 19	-	-	1,843,612	1,843,612
Fund balances - beginning of year, restated	20,052,235	(1,509,563)	5,777,599	24,320,271
Fund balances - ending	\$ 21,792,384	\$ 28,992,109	\$ 8,692,922	\$ 59,477,415

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, 2021

Net change in fund balances - total governmental funds		\$ 35,157,144
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)	13,753,282	
Current year depreciation expense	<u>(7,333,275)</u>	6,420,007
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(68,585)
Repayment of debt principal and capital lease payable is an expenditure in the governmental fund, but repayment reduces long-term liabilities in the Statement of Net Position.		
		10,518,592
Government funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability.		
		(39,499,582)
Repayment of bond premium payable is not recognized in the governmental funds, but reduces interest expense in the Statement of Activities.		
		172,952
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in compensated absences	(250,213)	
Net increase in interest payable	(134,373)	
Net increase in net pension liability	(67,446,532)	
Net increase in net OPEB liability	<u>(156,583)</u>	(67,987,701)
Changes in deferred inflows and outflows relating to net pension liability		
		47,952,608
Changes in deferred inflows and outflows relating to net OPEB liability		
		126,174
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.		
		(430,765)
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>30,838</u>
Change in net position of governmental activities		<u>\$ (7,608,318)</u>

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2021

	Internal Service Fund Self-Funded Health Insurance
ASSETS	
Current assets	
Cash and cash equivalents	\$ 13,702,531
Accounts receivable	559,200
Total current assets	14,261,731
 LIABILITIES	
Current liabilities	
Accounts payable	973,081
Incurred but not reported claims	2,171,000
Unearned health insurance premiums	6,062,450
Total current liabilities	9,206,531
 NET POSITION	
Unrestricted	\$ 5,055,200

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, 2021

	Internal Service Fund Self-Funded Health Insurance
Operating revenues	
Contributions to self-insurance district	\$ 26,279,678
Contributions to self-insurance cobra	297,951
Rebates	798,536
Total operating revenues	27,376,165
 Operating expenses	
Health insurance claims	27,345,327
Change in net position	30,838
Total net position - beginning of year, originally stated	6,694,116
Prior period adjustment - see note 3	(1,669,754)
Total net position - beginning of year, restated	5,024,362
Total net position - end of year	\$ 5,055,200

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Internal Service Fund Self-Funded Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from district - current premiums	\$ 26,279,678
Received from COBRA premiums	297,951
Rebates received	529,788
Payments for health insurance claims	(25,971,625)
Net cash provided (used) by operating activities	1,135,792
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 1,135,792
 CASH AND CASH EQUIVALENTS - BEGINNING	 12,566,739
 CASH AND CASH EQUIVALENTS - ENDING	 \$ 13,702,531
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 30,838
Effect on cash flows due to changes in assets and liabilities:	
Accounts receivable	(372,251)
Accounts payable	973,081
Incurred but not reported claims	300,000
Unearned health insurance premiums	204,124
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 \$ 1,135,792

See Notes to the Financial Statements

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements:

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

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

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

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

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

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.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

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, 2021

Revenues-Exchange and Non-Exchange Transactions

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

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, 2021

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	12-50 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, 2021

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, 2021

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, 2021

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, 2021, 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

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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.

NOTE 3 PRIOR PERIOD ADJUSTMENT

The District recorded a prior period adjustment to the June 30, 2020 financial statements for the following:

- An adjustment was made to properly record premiums deducted before year end for coverage occurring after year end as unearned health insurance premiums. This adjustment decreased net position by \$1,555,885.
- An adjustment was made to properly record expenses that were accrued in the prior year. This adjustment decreased net position by \$569,566.
- An adjustment was made to record rebate revenues that were earned in the prior year. The adjustment increased net position by \$186,949.
- An adjustment was made to correct an error made by an insurance provider. This adjustment increased net position by \$268,748.

The total adjustment resulted in a decrease of \$1,669,754 to net position for the Self- Funded Health Insurance Fund.

NOTE 4 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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, 2021, the District's carrying amount of cash and cash equivalents was as follows:

Governmental funds	\$74,993,565
Internal service fund	13,702,531
Agency funds	<u>17,634</u>
 Total cash and cash equivalents	 <u><u>\$88,713,730</u></u>

The bank balance of these deposits that was subject to custodial credit risk as of June 30, 2021 was \$15,027,676. The difference results from checks outstanding or deposits not yet processed, approximately \$56 million swept into commercial paper, and approximately \$18 million in commercial paper holdings. The entirety of the balance subject to custodial credit is covered by the FDIC (Federal Deposit Insurance Corporation) and pledged collateral held in the District's name.

Credit Risk and Interest Rate Risk

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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The investments of the District consist of commercial paper and investments at U.S. Bank. At June 30, 2021, the school's investments had a fair value of \$332,397. At June 30, 2021, the following table shows the investments by investment type and maturity.

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-6 Years</u>
FHLB	\$ 90,036	\$ -	\$ 90,036
FNMA	242,361	-	242,361
Total debt investments	<u>\$ 332,397</u>	<u>\$ -</u>	<u>\$ 332,397</u>

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District does not have an investment policy that specifically addresses credit risk. The following table represents the District's rating as of June 30, 2021.

<u>S&P Credit Rating</u>	<u>Total Fair Value</u>	<u>Government Bonds</u>	<u>Commercial Paper</u>
Aaa	\$ 332,397	\$ 332,397	\$ -
Total credit risk - debt securities	<u>\$ 332,397</u>	<u>\$ 332,397</u>	<u>\$ -</u>

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

The following table below presents the balances of assets, deferred outflows of resources, and deferred inflows of resources measured at fair value on a recurring basis at June 30, 2021.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
FHLB	\$ 90,036	\$ -	\$ 90,036	\$ -
FNMA	242,361	-	242,361	-
Total	<u>\$ 332,397</u>	<u>\$ -</u>	<u>\$ 332,397</u>	<u>\$ -</u>

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 13,224,375	\$ 2,588,423	\$ -	\$ 15,812,798
Construction in progress	25,443,604	6,271,661	(25,443,604)	6,271,661
Total capital assets, not depreciated	<u>38,667,979</u>	<u>8,860,084</u>	<u>(25,443,604)</u>	<u>22,084,459</u>
Capital assets, being depreciated				
Buildings	287,121,765	26,884,823	(39,123)	313,967,465
Improvements other than buildings	15,202,342	2,638,699	(129,948)	17,711,093
Furniture and equipment	3,263,411	555,565	(18,415)	3,800,561
Vehicles and equipment	4,408,422	628,693	(65,748)	4,971,367
Total capital assets, being depreciated	<u>309,995,940</u>	<u>30,707,780</u>	<u>(253,234)</u>	<u>340,450,486</u>
Less accumulated depreciation for				
Buildings	73,053,647	5,954,761	(27,285)	78,981,123
Improvements other than buildings	5,974,725	761,624	(93,209)	6,643,140
Furniture and equipment	2,052,156	301,883	(18,415)	2,335,624
Vehicles and equipment	2,432,924	315,007	(45,739)	2,702,192
Total accumulated depreciation	<u>83,513,452</u>	<u>7,333,275</u>	<u>(184,648)</u>	<u>90,662,079</u>
Total capital assets being depreciated, net	<u>226,482,488</u>	<u>23,374,505</u>	<u>(68,586)</u>	<u>249,788,407</u>
Governmental activities capital assets, net	<u>\$ 265,150,467</u>	<u>\$ 32,234,589</u>	<u>\$ (25,512,190)</u>	<u>\$ 271,872,866</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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

Governmental activities:	
Regular instruction	\$ 5,198,843
Special education	7,471
Career and technical education	293,995
District wide services	270,633
School food services	52,189
Operations and maintenance	845,920
Transportation	172,073
Co-curricular activities	397,705
Other	94,446
Total depreciation expense - governmental activities	<u>\$ 7,333,275</u>

As of June 30, 2021, equipment capitalized under a capital lease and the accumulated depreciation is as follows:

Capitalized leased equipment	\$ 256,196
Less accumulated depreciation	<u>(126,608)</u>
	<u>\$ 179,848</u>

NOTE 7 ACCOUNTS, SALARIES AND BENEFITS PAYABLE

Accounts, salaries and benefits payable consists of amounts owed for goods and services received prior to June 30, 2021 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, 2021:

<u>General Fund:</u>	
Accounts payable	\$ 3,467,549
Salaries payable	11,756,605
Benefits payable	4,736,983
	<u>19,961,137</u>
<u>Building Fund:</u>	
Accounts payable	3,010,125
<u>School Food Services Fund:</u>	
Accounts payable	425,903
Salaries payable	40,761
Benefits payable	29,887
	<u>496,551</u>
<u>Student Activity Fund:</u>	
Accounts payable	81,356
Salaries payable	7,746
Benefits payable	4,466
	<u>93,568</u>
<u>CRACTC:</u>	
Accounts payable	2,740
Salaries payable	46,583
Benefits payable	23,618
	<u>72,941</u>
<u>TLC/CREA</u>	
Accounts payable	12,524
<u>Self-Funded Health Insurance Fund</u>	
Accounts payable	973,081
Total accounts, salaries and benefits payable	<u>\$ 24,619,927</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 8 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Compensated absences *	\$ 3,719,357	\$ 250,213	\$ -	\$ 3,969,570	\$ 400,000
Net pension liability **	175,587,655	106,177,143	(38,730,611)	243,034,187	-
Net OPEB liability ***	1,902,961	667,790	(511,207)	2,059,544	-
General obligation bonds payable	92,948,261	34,634,444	(7,597,953)	119,984,752	7,276,759
Notes payable	30,891,823	4,865,138	(1,972,373)	33,784,588	2,325,641
Special assessments payable	2,651,970	370,978	(1,070,360)	1,952,588	257,326
Capital leases payable	191,595	-	(50,858)	140,737	56,137
	<u>\$ 307,893,622</u>	<u>\$ 146,965,706</u>	<u>\$ (49,933,362)</u>	<u>\$ 404,925,966</u>	<u>\$ 10,315,863</u>

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

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

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

Debt Outstanding

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

<u>General Obligation Bonds</u>	<u>Outstanding 6/30/2021</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.	\$ 6,230,000
\$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 \$1,786,731.	29,101,731
\$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 \$647,383.	9,242,383
\$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.	42,650,000
\$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 \$886,609.	32,076,609
\$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 \$14,029.	684,029
Total General Obligation Bonds Payable	<u>\$119,984,752</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Notes Payable

<p>\$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.</p>	\$ 4,465,233
<p>\$687,000 School Construction Loan dated June 22, 2003, due in annual installments of \$30,396 to \$45,204 through June 1, 2023, interest at 3.10%. Payments are to be made from the Building Fund.</p>	89,049
<p>\$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.</p>	10,537,007
<p>\$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.</p>	4,750,706
<p>\$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.</p>	9,077,455
<p>\$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.</p>	<u>4,865,138</u>
<p style="padding-left: 40px;">Total Notes Payable</p>	<u>\$ 33,784,588</u>

Special Assessments

<p>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 2035 with interest at 2.17% to 4.14%. Payments are to be made from the Building Fund.</p>	<u>\$ 1,952,588</u>
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Capital Leases

<p>\$63,837 lease starting September 2017 for the purchase of a copy machine. Due in monthly principal and interest installments of \$1,663 at 19.21% until August 2022. Payments are to be made from the General Fund.</p>	\$ 20,717
<p>\$20,460 lease starting September 2017 for the purchase of a copy machine. Due in monthly principal and interest installments of \$417 at 8.25% until October 2022. Payments are to be made from the General Fund.</p>	5,556
<p>\$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.</p>	<u>114,464</u>
<p style="padding-left: 40px;">Total Capital Leases Payable</p>	<u>\$ 140,737</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Debt Service Requirements

Annual requirements on long term debt at June 30, 2021 are as follows:

Year Ending June 30	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2022	\$ 7,276,759	\$ 2,557,204	\$ 2,325,641	\$ 661,443
2023	7,361,759	2,382,504	2,227,568	692,466
2024	7,461,759	2,201,370	2,300,684	642,936
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 - 2031	40,408,795	6,290,735	11,198,579	1,885,474
2032 - 2036	30,373,795	2,116,059	8,810,740	728,557
2037 - 2041	11,903,367	121,046	2,090,515	77,159
Totals	<u>\$ 119,984,752</u>	<u>\$ 19,490,075</u>	<u>\$ 33,784,588</u>	<u>\$ 5,818,745</u>

Year Ending June 30	Special Assessments		Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 257,326	\$ 70,698	\$ 56,137	\$ 8,424
2023	257,326	61,223	40,015	3,739
2024	257,326	51,748	38,036	1,558
2025	257,326	42,272	6,549	50
2026	210,536	32,797	-	-
2027 - 2031	683,484	62,185	-	-
2032 - 2036	29,264	1,588	-	-
Totals	<u>\$ 1,952,588</u>	<u>\$ 322,511</u>	<u>\$ 140,737</u>	<u>\$ 13,771</u>

Year Ending June 30	Total Long-Term Debt	
	Principal	Interest
2022	\$ 9,915,863	\$ 3,297,769
2023	9,886,668	3,139,932
2024	10,057,805	2,897,612
2025	10,186,948	2,643,944
2026	10,316,842	2,383,042
2027 - 2031	52,290,858	8,238,394
2032 - 2036	39,213,799	2,846,204
2037 - 2041	13,993,882	198,205
Totals	<u>\$ 155,862,665</u>	<u>\$ 25,645,102</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 9 FUND BALANCES

At June 30, 2021, a summary of the governmental fund balance classifications are as follows:

	General Fund	Special Revenue Funds	Debt Service Fund	Building Fund	Total
Non-spendable:					
Prepays	\$ 243,161	\$ -	\$ -	\$ -	\$ 243,161
Inventories	-	212,495	-	-	212,495
Restricted:					
Building Fund	-	-	-	28,992,109	28,992,109
Debt Service Career and Technical Education	-	-	3,769,979	-	3,769,979
Teacher Learning Center	-	154,008	-	-	154,008
	-	26,180	-	-	26,180
Assigned:					
Food Service	-	2,539,599	-	-	2,539,599
Activities	-	1,990,661	-	-	1,990,661
Unassigned:					
General Fund	21,549,223	-	-	-	21,549,223
	<u>\$ 21,792,384</u>	<u>\$ 4,922,943</u>	<u>\$ 3,769,979</u>	<u>\$ 28,992,109</u>	<u>\$ 59,477,415</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.

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.

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Claims, which have been incurred at year-end but not reported, have been recorded as a claim reserve payable in the amount of \$2,171,000 as of June 30, 2021. 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, 2020	\$ 1,871,000
Incurred claims including incurred but not reported	27,345,327
Less: claims paid	<u>(27,045,327)</u>
Balance, June 30, 2021	<u>\$ 2,171,000</u>

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

NOTE 11 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

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

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

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

Pension Benefits

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

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

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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, 2021, the District reported a liability of \$160,155,871 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Employer's proportion was 10.464261 percent, which was a decrease of 0.121853% from its proportion measured at June 30, 2019.

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For the year ended June 30, 2021, the Employer recognized pension expense of \$16,809,238. At June 30, 2021, 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	\$ 33,026	\$ (6,010,311)
Changes of assumptions	7,208,422	-
Net difference between projected and actual earnings on pension plan investments	9,886,651	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	950,072	(3,573,971)
Employer contributions subsequent to the measurement date	10,295,730	-
Total	\$ 28,373,901	\$ (9,584,282)

\$10,295,730 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, 2022.

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:

2022	\$ 2,500,293
2023	1,832,283
2024	2,797,245
2025	1,481,181
2026	(345,578)
Thereafter	228,465

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Actuarial Assumptions

The total pension liability in the July 1, 2020 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, 2020, funding actuarial valuation for TFFR.

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- 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.

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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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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 pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.90%
Global Fixed Income	23%	1.30%
Global Real Assets	18%	5.00%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2020. 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, 2020, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 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 shares of the net pension liability	\$ 213,319,013	\$ 160,155,871	\$ 115,974,570

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report. Requests to obtain or review this report should be addressed to the North Dakota Retirement and Investment Office, 3442 E Century Ave., Bismarck, ND 58503.

NOTE 12 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

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

Pension Benefits

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

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

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of 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.

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, 2021, the Employer reported a liability of \$82,878,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Employer's proportion was 2.634385 percent, which was an increase of 0.092726% from its proportion measured at June 30, 2019.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

For the year ended June 30, 2021, the Employer recognized pension expense of \$14,762,566. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 322,532	\$ (4,199,522)
Changes of assumptions	44,428,008	(7,345,048)
Net difference between projected and actual earnings on pension plan investments	2,674,892	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,803,099	(114,216)
Employer contributions subsequent to the measurement date	<u>2,181,499</u>	<u>-</u>
Total	<u>\$ 51,410,030</u>	<u>\$ (11,658,786)</u>

\$2,181,499 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, 2022.

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

Year ending June 30:

2022	\$ 11,197,567
2023	9,701,251
2024	7,960,391
2025	8,710,536

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Actuarial Assumptions

The total pension liability in the July 1, 2020 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	7.00%, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
Global Real Assets	19%	5.01%

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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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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 7.00%, the municipal bond rate is 2.45%, and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease	Current	Discount Rate	1% Increase
	3.64%	4.64%		5.64%
Employer's proportionate share of the net pension liability	\$ 107,528,394	\$ 82,878,316	\$ 62,708,548	

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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NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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, 2021, the Employer reported a liability of \$2,059,544 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the Employer's proportion was 2.448348 percent, which was an increase of 0.079087 from its proportion measured at June 30, 2019.

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JUNE 30, 2021

For the year ended June 30, 2021, the Employer recognized OPEB expense of \$300,725. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 45,736	\$ (49,378)
Changes of assumptions	276,145	-
Net difference between projected and actual earnings on OPEB plan investments	70,825	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	93,781	-
Employer contributions subsequent to the measurement date	<u>303,948</u>	<u>-</u>
Total	<u><u>\$ 790,435</u></u>	<u><u>\$ (49,378)</u></u>

\$303,948 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, 2022.

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

Year ending June 30:	
2022	\$ 90,631
2023	108,937
2024	105,578
2025	84,890
2026	42,433
Thereafter	4,640

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JUNE 30, 2021

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 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	6.50%, 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
Core-Plus Fixed Income	21%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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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, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 2,701,139	\$ 2,059,544	\$ 1,516,991

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, 2021.

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, 2021 was \$582,761.

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, 2021	Amounts Expensed Prior to June 30, 2021	Remaining Construction Commitments at June 30, 2021
Elk Ridge Elementary	\$ 17,589,653	\$ 2,190,777	\$ 15,398,876
Silver Ranch Elementary	18,692,794	2,257,189	16,435,605
Energy Savings Project	4,865,138	1,097,556	3,767,582
Various Roof Work	267,780	-	267,780
Various Concrete Work	307,292	-	307,292
	\$ 41,722,657	\$ 5,545,522	\$ 36,177,135

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 17 TRANSFERS

There was a transfer within the debt service funds during the year ended June 30, 2021. There was a transfer out of the G.O. Bonds of 2020 in the amount of \$50,250, which was transferred into G.O. Bonds of 2020C. The purpose of the transfer was to transfer enough funds to make the principal and interest payment for G.O. Bonds of 2020C.

NOTE 18 FUTURE PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (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. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively,

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

The District implemented GASB No. 84, *Fiduciary Activities* in the fiscal year ended June 30, 2021. As a result, beginning net position and beginning special revenue fund balance have been restated to reflect the activities balance of \$1,805,045 and TLC/CREA balance of \$38,567, resulting in an increase in net position and special revenue fund balance.

NOTE 20 SUBSEQUENT EVENTS

In November 2021, the District's board committed \$3.5 million to a new multi-use facility with the Bismarck Parks and Recreation District for ice space. In January 2022, the District approved adding an addition to Legacy High School for \$3,037,518. Subsequent events have been evaluated through January 11, 2022, which is the date these financial statements were available to be issued.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
REVENUES				
Local sources	\$ 39,366,770	\$ 39,366,770	\$ 39,563,186	\$ 196,416
State sources	126,750,028	126,750,028	126,007,231	(742,797)
Federal sources	<u>25,811,939</u>	<u>25,811,939</u>	<u>22,686,620</u>	<u>(3,125,319)</u>
TOTAL REVENUES	<u>191,928,737</u>	<u>191,928,737</u>	<u>188,257,037</u>	<u>(3,671,700)</u>
EXPENDITURES				
Current				
Regular instruction	97,256,662	97,256,662	95,320,888	(1,935,774)
Special education	33,081,723	33,081,723	32,294,755	(786,968)
Career and technical education	5,826,249	5,826,249	5,948,929	122,680
District wide services	22,680,495	22,680,495	16,531,597	(6,148,898)
Operations and maintenance	17,221,075	17,221,075	14,822,455	(2,398,620)
Transportation	5,315,351	5,315,351	5,201,706	(113,645)
Co-curricular activities	5,823,974	5,823,974	4,988,773	(835,201)
Other	8,017,530	8,017,530	7,794,278	(223,252)
Debt Service:				
Principal	475,150	475,150	526,008	50,858
Interest	109,183	109,183	122,887	13,704
Capital outlay	<u>-</u>	<u>-</u>	<u>2,987,712</u>	<u>2,987,712</u>
TOTAL EXPENDITURES	<u>195,807,392</u>	<u>195,807,392</u>	<u>186,539,988</u>	<u>(9,267,404)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,878,655)</u>	<u>(3,878,655)</u>	<u>1,717,049</u>	<u>5,595,704</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	<u>-</u>	<u>-</u>	<u>23,100</u>	<u>23,100</u>
Net change in fund balances	<u>\$ (3,878,655)</u>	<u>\$ (3,878,655)</u>	<u>1,740,149</u>	<u>\$ 5,618,804</u>
Fund balances - beginning			<u>20,052,235</u>	
Fund balances - ending			<u>\$ 21,792,384</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
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
2021	2.63439%	\$ 82,878,316	\$ 29,060,447	285.19%	48.91%
2020	2.54166%	29,790,083	27,389,579	108.76%	71.66%
2019	2.46874%	41,662,714	25,361,813	164.27%	62.80%
2018	2.41879%	38,877,861	24,692,032	157.45%	61.98%
2017	2.47234%	24,095,315	24,915,307	96.71%	70.46%
2016	2.36478%	16,080,127	21,067,356	76.33%	77.15%
2015	2.24596%	14,255,607	18,919,516	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
2021	2.448348%	\$ 2,059,544	\$ 27,910,448	7.38%	63.38%
2020	2.369261%	1,902,961	27,389,912	6.95%	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
2021	\$ 9,735,158	\$ (9,735,158)	-	\$ 76,354,180	12.75%
2020	9,735,086	(9,735,086)	-	76,178,456	12.75%
2019	9,470,906	(9,470,906)	-	74,281,616	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
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
2021	\$ 303,948	\$ (303,948)	\$ -	\$ 26,662,078	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, 2021

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, 2021

- 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 7.25 percent to 7.00 percent effective January 1, 2020 (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, 2019.

Changes of assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

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, 2019.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
JUNE 30, 2021

Changes of assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - TOTAL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds				Debt Service Funds	Total Nonmajor Governmental Funds
	Food Service	Activities	CRACTC	TLC/CREA		
ASSETS						
Cash and cash equivalents	\$ 2,846,950	2,059,427	\$ 81,249	\$ 17,634	\$ 3,750,939	\$ 8,756,199
Taxes receivable	-	-	-	-	328,137	328,137
Intergovernmental receivable	189,200	24,802	145,700	21,070	-	380,772
Due from county treasurer	-	-	-	-	19,040	19,040
Inventory	212,495	-	-	-	-	212,495
TOTAL ASSETS	<u>\$ 3,248,645</u>	<u>\$ 2,084,229</u>	<u>\$ 226,949</u>	<u>\$ 38,704</u>	<u>\$ 4,098,116</u>	<u>\$ 9,696,643</u>
LIABILITIES						
Accounts, salaries and benefits payable	\$ 496,551	\$ 93,568	\$ 72,941	\$ 12,524	\$ -	\$ 675,584
TOTAL LIABILITIES	<u>496,551</u>	<u>93,568</u>	<u>72,941</u>	<u>12,524</u>	<u>-</u>	<u>675,584</u>
DEFERRED INFLOWS OF RESOURCES						
Delinquent taxes	-	-	-	-	328,137	328,137
FUND BALANCES						
Nonspendable	212,495	-	-	-	-	212,495
Restricted	-	-	154,008	26,180	3,769,979	3,950,167
Assigned	2,539,599	1,990,661	-	-	-	4,530,260
TOTAL FUND BALANCES	<u>2,752,094</u>	<u>1,990,661</u>	<u>154,008</u>	<u>26,180</u>	<u>3,769,979</u>	<u>8,692,922</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,248,645</u>	<u>\$ 2,084,229</u>	<u>\$ 226,949</u>	<u>\$ 38,704</u>	<u>\$ 4,098,116</u>	<u>\$ 9,696,643</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2021

	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	\$ 575,930	\$ 528,561	\$ 686,762	\$ 272,455	\$ 253,612	\$ 77,714	\$ 1,351,895	\$ 4,010	\$ 3,750,939
Taxes receivable	20,708	32,437	84,841	10,604	20,128	21,065	138,354	-	328,137
Due from county treasurer	1,199	1,881	4,929	552	1,143	1,197	8,139	-	19,040
TOTAL ASSETS	<u>\$ 597,837</u>	<u>\$ 562,879</u>	<u>\$ 776,532</u>	<u>\$ 283,611</u>	<u>\$ 274,883</u>	<u>\$ 99,976</u>	<u>\$ 1,498,388</u>	<u>\$ 4,010</u>	<u>\$ 4,098,116</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	\$ 20,708	\$ 32,437	\$ 84,841	\$ 10,604	\$ 20,128	\$ 21,065	\$ 138,354	\$ -	\$ 328,137
Total liabilities	<u>20,708</u>	<u>32,437</u>	<u>84,841</u>	<u>10,604</u>	<u>20,128</u>	<u>21,065</u>	<u>138,354</u>	<u>-</u>	<u>328,137</u>
FUND BALANCES									
Restricted for debt service	<u>577,129</u>	<u>530,442</u>	<u>691,691</u>	<u>273,007</u>	<u>254,755</u>	<u>78,911</u>	<u>1,360,034</u>	<u>4,010</u>	<u>3,769,979</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 597,837</u>	<u>\$ 562,879</u>	<u>\$ 776,532</u>	<u>\$ 283,611</u>	<u>\$ 274,883</u>	<u>\$ 99,976</u>	<u>\$ 1,498,388</u>	<u>\$ 4,010</u>	<u>\$ 4,098,116</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, 2021

	Special Revenue Funds				Debt Service Funds	Total Nonmajor Governmental Funds
	Food Service	Activities	CRACTC	TLC/CREA		
REVENUES						
Local sources	\$ 912,521	\$ -	\$ 506,649	\$ 15,099	\$ 10,410,419	\$ 11,844,688
State sources	52,089	1,890,192	687,262	-	-	2,629,543
Federal sources	7,666,922	12,500	16,902	21,070	-	7,717,394
TOTAL REVENUES	8,631,532	1,902,692	1,210,813	36,169	10,410,419	22,191,625
EXPENDITURES						
Current						
Regular instruction	-	-	-	48,556	-	48,556
Career and technical education	-	-	1,159,902	-	-	1,159,902
School food services	6,598,665	-	-	-	-	6,598,665
Co-curricular activities	-	1,697,276	-	-	-	1,697,276
Debt Service						
Principal	-	-	-	-	6,966,874	6,966,874
Interest	-	-	-	-	2,719,083	2,719,083
Issuance costs	-	-	-	-	2,641	2,641
Service charges	-	-	-	-	3,489	3,489
Capital Outlay	-	19,800	60,326	-	-	80,126
TOTAL EXPENDITURES	6,598,665	1,717,076	1,220,228	48,556	9,692,087	19,276,612
Excess (deficiency) of revenues over expenditures	<u>2,032,867</u>	<u>185,616</u>	<u>(9,415)</u>	<u>(12,387)</u>	<u>718,332</u>	<u>2,915,013</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital asset	310	-	-	-	-	310
Transfers in	-	-	-	-	50,250	50,250
Transfers out	-	-	-	-	(50,250)	(50,250)
TOTAL OTHER FINANCING SOURCES (USES)	<u>310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310</u>
Net change in fund balances	<u>2,033,177</u>	<u>185,616</u>	<u>(9,415)</u>	<u>(12,387)</u>	<u>718,332</u>	<u>2,915,323</u>
Fund balances - beginning of year, originally stated	718,917	-	163,423	-	3,051,647	3,933,987
GASB 84 adjustment- see note 19	-	1,805,045	-	38,567	-	1,843,612
Fund balance- beginning of year, restated	<u>718,917</u>	<u>1,805,045</u>	<u>163,423</u>	<u>38,567</u>	<u>3,051,647</u>	<u>5,777,599</u>
Fund balances - ending	<u>\$ 2,752,094</u>	<u>\$ 1,990,661</u>	<u>\$ 154,008</u>	<u>\$ 26,180</u>	<u>\$ 3,769,979</u>	<u>\$ 8,692,922</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, 2021

	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	\$ 657,448	\$ 1,029,103	\$ 2,686,700	\$ 361,837	\$ 652,739	\$ 682,756	\$ 4,339,836	\$ -	\$ 10,410,419
EXPENDITURES									
Debt Service									
Principal	490,000	688,574	1,355,000	249,294	414,006	330,000	3,400,000	40,000	6,966,874
Interest	120,063	266,377	1,128,556	100,555	191,411	302,900	603,511	5,710	2,719,083
Issuance costs	-	-	-	-	-	-	2,111	530	2,641
Service charges	1,092	71	1,092	70	72	1,092	-	-	3,489
Total expenditures	611,155	955,022	2,484,648	349,919	605,489	633,992	4,005,622	46,240	9,692,087
EXCESS OF REVENUES OVER EXPENDITURES	<u>46,293</u>	<u>74,081</u>	<u>202,052</u>	<u>11,918</u>	<u>47,250</u>	<u>48,764</u>	<u>334,214</u>	<u>(46,240)</u>	<u>718,332</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	50,250	50,250
Transfers out	-	-	-	-	-	-	(50,250)	-	(50,250)
Total other financing sources (uses)	-	-	-	-	-	-	(50,250)	50,250	-
NET CHANGE IN FUND BALANCES	<u>46,293</u>	<u>74,081</u>	<u>202,052</u>	<u>11,918</u>	<u>47,250</u>	<u>48,764</u>	<u>283,964</u>	<u>4,010</u>	<u>718,332</u>
FUND BALANCE - BEGINNING	<u>530,836</u>	<u>456,361</u>	<u>489,639</u>	<u>261,089</u>	<u>207,505</u>	<u>30,147</u>	<u>1,076,070</u>	<u>-</u>	<u>3,051,647</u>
FUND BALANCE - ENDING	<u>\$ 577,129</u>	<u>\$ 530,442</u>	<u>\$ 691,691</u>	<u>\$ 273,007</u>	<u>\$ 254,755</u>	<u>\$ 78,911</u>	<u>\$ 1,360,034</u>	<u>\$ 4,010</u>	<u>\$ 3,769,979</u>

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed through North Dakota Department of Public Instruction:				
National School Lunch Program - commodities	10.555	N/A		\$ 582,761
Summer Food Service Program for Children	10.559	F10559		7,052,951
Child Nutrition Cluster				<u>7,635,712</u>
Child and Adult Care Food Program	10.558	F10558		68,987
Administrative Expenses for Child Nutrition	10.560	F10560		18,456
Fresh Fruit and Vegetable Program	10.582	F10582		<u>79,849</u>
Total U.S. Department of Agriculture				<u>7,803,004</u>
U.S. DEPARTMENT OF INTERIOR				
Passed through Standing Rock Sioux Tribe:				
Indian Education - Assistance to Schools	15.130	N/A		<u>41,221</u>
U.S. DEPARTMENT OF JUSTICE				
Juvenile Justice Stage Advisory Group				
Public Safety Partnership and Community Policing Grants	16.540			16,587
	16.710			<u>231</u>
Total U.S. Department of Justice				<u>16,818</u>
U.S. DEPARTMENT OF TREASURY				
Passed through the State Board of Career and Technical Education:				
COVID-19: Coronavirus Relief Fund	21.019	N/A		16,902
Passed through North Dakota Department of Health:				
COVID-19: Coronavirus Relief Fund	21.019	N/A		40,000
Passed through North Dakota Department of Public Instruction:				
COVID-19: Coronavirus Relief Fund	21.019	F21019		<u>6,416,847</u>
Total U.S. Department of Treasury				<u>6,473,749</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Passed through North Dakota Council for the Arts:				
Promotion of the Arts Partnership Agreements	45.025	1863381-61-20		<u>8,000</u>
ENVIRONMENTAL PROTECTION AGENCY				
Passed through North Dakota Department of Commerce:				
State Energy Program	81.041	DE-EE0008661		<u>92,000</u>
U.S. DEPARTMENT OF EDUCATION				
Indian Education - Grants to Local Education Associations				
	84.060			301,375
Passed through the State Board of Career and Technical Education:				
Career and Technical Education - Basic				
Grants to States (Perkins IV)	84.048	2038		232,944
Passed through Office of Management & Budget:				
Education Stabilization Fund	84.425	S425C200044		100,943
Passed through North Dakota Department of Public Instruction:				
Adult Education	84.002	F84002A		92,500
Title I - Grants to LEAs	84.010	F84010		2,924,292
IDEA, Part B Special Education	84.027	F84027A		3,607,050
IDEA, Part B Special Education - Preschool	84.173	F84173A		<u>67,166</u>
Special Education Cluster (IDEA)				3,674,216
Education for Homeless Children and Youth	84.196	F84196A		19,734
English Language Acquisition Grants	84.365	F84365A	21,070	74,079
Improving Teacher Quality State Grants	84.367	F84367		701,571
Comprehensive Literacy Development	84.371	F84371C		2,697,701
Title IV - Student Support and Academic Enrichment	84.424	F84424A		345,851
COVID-19: Education Stabilization Fund	84.425	F84425D		<u>2,316,082</u>
Total U.S. Department of Education				<u>13,481,288</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Head Start Cluster:				
Head Start	93.600			2,480,934
Passed through Lutheran Social Services of ND:				
Refugee and Entrant Assistance Programs	93.566	2018-RSS 3		<u>7,000</u>
Total U.S. Department of Health and Human Services				<u>2,487,934</u>
Total expenditures of federal awards				<u>\$ 30,404,014</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, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards (“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, 2021. 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 assets, 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 \$21,070 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 \$22,686,620, in the food service fund of \$7,666,922, in the activities fund of \$12,500, and in the CRACTC fund of \$16,902 equals total federal revenue and expenditures of \$30,404,014.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1 as of and for the year ended June 30, 2021, 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 January 11, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bismarck Public School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



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

January 11, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited Bismarck Public School District No. 1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bismarck Public School District No. 1's major federal programs for the year ended June 30, 2021. 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 finding and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Bismarck Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of finding and questioned costs as item 2021-001. Our opinion on each major program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs. Bismarck Public School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance as described in the accompanying schedule of finding and questioned costs as item 2021-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs. Bismarck Public School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



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

January 11, 2022

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

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 2 CFR 200.516(a)?

 x yes no

AL Number(s)

Name of Federal Program or Cluster

10.555 & 10.559	Child Nutrition Cluster
21.019	Coronavirus Relief Fund
84.010	Title I
84.425	ESSER Cares Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

 yes x no

Section II – Financial Statement Findings

There were no findings to be reported in this section.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDING AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Section III – Federal Award Findings and Questioned Costs

2021-001: Special Test – Significant Deficiency

Federal Programs
AL #84.010 – Title I

Criteria

As part of the compliance testing of Title I regulations, the graduation rate data is reviewed to ensure the correct information is used to compute the adjusted cohort graduation rate. Procedures should be in place to correctly account for the removal or modification of a particular student to accurately reflect their status that is used to determine the graduation rate.

Condition

In our testing we reviewed the exit codes in the system to ensure they were correct at each school tested. We reviewed to see if a particular student code entered into PowerSchool agreed to what the student's status should be. We noted an exception at one high school on one of the three students tested that would affect the graduation rate and potentially the amount of federal funds received.

The exit code was marked as transferred, but should have not been on the report due to graduating in a prior year. The codes were reviewed by a second party who caught the error, but the error was not changed in every system.

Cause

The correct information was not entered into PowerSchool. The second review of the student data discovered the error but no correction was made.

Effect

Graduation rate calculation is not calculated correctly because of incomplete and/or inaccurate information reported by the District.

Questioned Costs

None

Recommendation

Proper training should be provided to individuals responsible for entering student exit codes and a proper review process should be implemented. The District and ND DPI need to discuss when the enrollment report is being pulled and utilized for the graduation rate to ensure internal deadlines are met so complete and accurate information is reported to ND DPI.

Views of Responsible Officials and Planned Corrective Actions

Bismarck Public Schools will implement an additional internal control step to ensure that any updates to the graduation report data are reflected in both PowerSchool and STARS after information stops automatically flowing into STARS from PowerSchool.

Indication of Repeat Finding

This is a repeat finding of prior year finding 2020-001.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

2020-001: Special Test – Material Weakness

Federal Programs

CFDA #84.010 – Title I

Criteria

As part of the compliance testing of Title I regulations, the graduation rate data is reviewed to ensure the correct information is used to compute the adjusted cohort graduation rate. Procedures should be in place to correctly account for the removal or modification of a particular student to accurately reflect their status that is used to determine the graduation rate.

Condition

In our testing we reviewed the exit codes in the system to ensure they were correct at each school tested. We reviewed to see if a particular student code entered into PowerSchool agreed to what the student's status should be. We noted exceptions at one high school on two of the three students tested that would affect the graduation rate and potentially the amount of federal funds received.

In both instances, the exit code was marked as transferred, but should have been marked as GED/working at the end of the fiscal year. The codes were reviewed by a second party, but the errors were not caught.

Cause

The correct information was not entered and then the second review of the student data did not discover the errors.

Effect

Graduation rate calculation is not calculated correctly because of incomplete and/or inaccurate information reported by the District.

Questioned Costs

None

Recommendation

Proper training should be provided to individuals responsible for entering student exit codes and a proper review process should be implemented. The District and ND DPI need to discuss when the enrollment report is being pulled and utilized for the graduation rate to ensure internal deadlines are met so complete and accurate information is reported to ND DPI.

BISMARCK PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Views of Responsible Officials and Planned Corrective Actions

Bismarck Public Schools will coordinate a training between ND DPI, high school building administrators, and whoever at the high schools is submitting exit codes to go over the requirements of the graduation rate report and the proper steps to fill out information correctly. Going forward, all student exit documentation (request for records, parent contact records, proof of death, etc.) will be scanned and uploaded into PowerSchool for confirmation of documentation. In addition, each month someone independent of the school from the business office will review paperwork filed into PowerSchool for all students coded to a 3 (deceased) or 4 (transferred out of district) to ensure that proper information is maintained and codes are entered correctly.

Current Year Status

This finding was repeated in the current year.



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2021-001

Contact Person

Darin Scherr, Business and Operations Manager

Corrective Action Plan

Bismarck Public Schools will implement an additional internal control step to ensure that any updates to the graduation report data are reflected in both PowerSchool and STARS after information stops automatically flowing into STARS from PowerSchool.

Completion Date

Fiscal year 2022