

BISMARCK STATE COLLEGE

BISMARCK, NORTH DAKOTA

Audit Report

For the Year Ended
June 30, 2018

Joshua C. Gallion
State Auditor



Office of the State Auditor
Division of State Audit



Why We Conducted this Audit

The purpose of this audit was to determine if:

- Bismarck State College (BSC) followed requirements to grant tenure to faculty.
- Faculty worked under a current contract, received evaluations, and were compensated as required by their contracts.
- Student grade changes were properly supported and approved.
- Financial transactions including expenses were made in accordance with law and appropriation requirements.

Evidence Supporting Tenure of Faculty Not Maintained

Faculty members are eligible to apply for tenure during their sixth year of tenure track employment. In September of each academic year, faculty members are notified of their eligibility by the Vice President of Academic Affairs. The eligible faculty member completes and submits an application folder to BSC's Faculty Senate's Tenure Committee by November 15th for the committee's review and possible endorsement. The Tenure Committee consists of five members with tenure status selected by the BSC Faculty Senate. BSC's policy for granting tenure outlines documents required to be included in the application folder. During testing we noted some required tenure application documents were not maintained.

The following required documentation was not maintained by BSC:

- Letter of application requesting tenure
- A minimum of four letters of recommendation from appropriate supervisors and peers
- Current curriculum vitae

BSC TENURE APPLICATION REQUIREMENTS

1. Submit letter of application. ☒
2. Submit four or more letters of recommendation. ☒
3. Provide post-secondary transcripts. ☐
4. Submit performance evaluations. ☐
5. Submit a written overview of life's work. (curriculum vitae) ☒
6. Optional: Any other documentation requested.

[Signature]

Source: BSC Granting of Tenure-Faculty Policy

Noncompliance with Statutorily Required Audit Testing

Not Following Proper
Procurement Procedures

Bismarck State College did not solicit informal quotes or proposals related to the purchases of commodities and services.
See page 10.



Not Following Travel Meal
Reimbursement Policies

During the audit period, 27% of travel meal reimbursements were not made based on actual times the employee was traveling.
See page 11.

KEY PERSONNEL

State Auditor's Office Staff

Allison Bader, MBA, Audit Manager
Kristi Morlock, MBA, Audit Supervisor
Delan Hellman, Senior Auditor
Dustin Walcker, Senior Auditor
Holly Runia, Auditor
Paige Chapman, M.Acc, Auditor

Client Staff Contacts

Dr. Larry Skogen, President
Rebecca Collins, Assoc. VP for Operations/CFO
Jess Dargis, Controller

Contents

<i>Transmittal Letter</i>	<i>1</i>
<i>Audit Results</i>	<i>2</i>
<i>Granting Faculty Tenure</i>	<i>2</i>
<i>Conclusion</i>	<i>2</i>
<i>Background Information and Results</i>	<i>2</i>
Required Documentation for Granting Faculty Tenure Not Maintained (Finding 18-01)	<i>3</i>
<i>Internal Control</i>	<i>4</i>
<i>Faculty Contracts, Evaluations, and Compensation</i>	<i>5</i>
<i>Conclusion</i>	<i>5</i>
<i>Background Information and Results</i>	<i>5</i>
<i>Internal Control</i>	<i>6</i>
<i>Recording Student Grades</i>	<i>8</i>
<i>Conclusion</i>	<i>8</i>
<i>Background Information and Results</i>	<i>8</i>
<i>Internal Control</i>	<i>8</i>
<i>Statutory Audit Requirements</i>	<i>10</i>
<i>Conclusion</i>	<i>10</i>
<i>Background Information and Results</i>	<i>10</i>
Noncompliance with Procurement Policies (Finding 18-02)	<i>10</i>
Noncompliance with Travel Meal Reimbursement Policies (Finding 18-03)	<i>11</i>
<i>Internal Control</i>	<i>12</i>
<i>Scope</i>	<i>12</i>
<i>Methodology</i>	<i>13</i>
<i>Authority and Standards</i>	<i>14</i>
<i>Financial Statements</i>	<i>15</i>
<i>Statement of Net Position</i>	<i>15</i>
<i>Statement of Revenues, Expenses, and Change in Net Position</i>	<i>16</i>
<i>Statement of Cash Flows</i>	<i>17</i>
<i>Statement of Appropriations</i>	<i>19</i>



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

June 12, 2019

North Dakota State Board of Higher Education Audit Committee
Dr. Larry Skogen, President, Bismarck State College

We are pleased to submit this audit of Bismarck State College for the year ended June 30, 2018. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Additionally, whenever possible additional audit objectives are included to increase responsiveness and effectiveness of state government.

Allison Bader was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to Dr. Skogen and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

cc: Legislative Audit and Fiscal Review Committee
Chris Kadrmas, Legislative Council Fiscal Analyst

Audit Results

Granting Faculty Tenure

The audit of Bismarck State College's (BSC) tenure granting procedures was conducted to meet the following objective:

Did Bismarck State College follow requirements to grant tenure to faculty?

Conclusion

Bismarck State College did not follow requirements to grant tenure to faculty. BSC did not keep necessary tenure application documentation of those faculty members who were granted tenure. See Finding 18-01.

Background Information and Results

State Board of Higher Education (SBHE) Personnel Policy 605.1 section 5 identifies criteria institutions need to include in their procedural regulations for granting tenure. This includes a required probationary period of six years of continuous academic service. According to SBHE policy, tenure plans are designed to encourage scholarship in teaching, contribution to a discipline or profession through research, other scholarly or professional activities, and service to the institution and society. Tenured faculty receive additional compensation and have different requirements for termination of employment.

According to BSC policy for granting tenure, faculty members are eligible to apply for tenure during their sixth year of tenure track employment. In September of each academic year, faculty members are notified of their eligibility by the Vice President (VP) of Academic Affairs. Tenure application folders are due November 15th to BSC's Faculty Senate's Tenure Committee for review. The Tenure Committee consists of five members with tenure status selected by the BSC Faculty Senate. In March of the following year, the committee will score each candidate's application individually and report in writing their final determination to the VP of Academic Affairs. The VP of Academic Affairs reviews the tenure application and determines whether to endorse the applicant for tenure. This endorsement is shared with the President of BSC, who presents the candidates to the SBHE. The SBHE makes the final decision to grant tenure to the candidates. BSC's policy outlines documents required in the applicant's folder which includes submitting a letter of application requesting tenure, a minimum of

BSC TENURE APPLICATION REQUIREMENTS

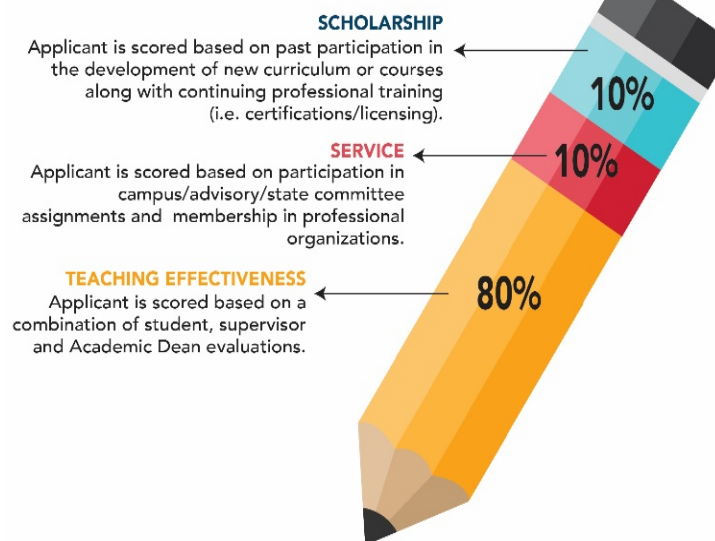
1. Submit letter of application. ☒
2. Submit four or more letters of recommendation. ☒
3. Provide post-secondary transcripts. ☐
4. Submit performance evaluations. ☐
5. Submit a written overview of life's work. (curriculum vitae) ☒
6. Optional: Any other documentation requested.

Source: BSC Granting of Tenure-Faculty Policy

four letters of recommendation, transcripts, performance evaluation data, and current curriculum vitae.

Tenure folders will be evaluated using a rubric that has three criteria: teaching effectiveness, scholarship, and service.

CRITERIA USED BY THE FACULTY SENATE'S TENURE COMMITTEE TO EVALUATE TENURE APPLICANTS



Source: BSC Granting of Tenure-Faculty Policy

Evidence Supporting Tenure of Faculty Not Maintained (Finding 18-01)

Condition:

Bismarck State College did not maintain proper documentation on how the decision to grant tenure was reached. Three applicants were granted tenure during the 2017-2018 school year. In all cases, BSC did not maintain the necessary supporting documentation for granting tenure to faculty.

Application documentation not maintained included:

- Letter of application requesting tenure
- A minimum of four letters of recommendation from appropriate supervisors and peers
- Current curriculum vitae

Criteria:

BSC's Granting of Tenure – Faculty Policy states the contents of the application folder includes a letter of application requesting tenure, a minimum of four letters of recommendation, transcripts, evaluation data, and current curriculum vitae.

Cause:

BSC was not aware of the need to keep supporting documentation for granting tenure after the Faculty Senate's Tenure Committee review was complete. Notes from individual committee members were maintained.

Effect or Potential Effect:

BSC could not provide evidence of all necessary requirements to support the decisions to tenure faculty.

Recommendation:

We recommend Bismarck State College maintain supporting documentation for granting tenure to faculty.

Bismarck State College Response:

Agree. BSC did keep the supporting documentation for granting tenure throughout the approval process from the State Board of Higher Education and up to the final decision. The portfolio was then returned to the faculty due to the size of the portfolio. In the future, BSC will scan the required documentation for supporting evidence under the granting of tenure policy.

Internal Control

We gained an understanding of internal control and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. 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: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, a deficiency in internal control that was significant within the context of our audit objectives and based upon the audit work performed is identified in Finding 18-01.

Scope

Bismarck State College's sole location is its Bismarck office which was included in the audit scope. Contracts, evaluations, and tenure documents for all faculty granted tenure in our audit period of fiscal year 2018 were examined.

Methodology

To meet this objective, we:

- Identified State Board of Higher Education and Bismarck State College policies and procedures for granting tenure.
- Interviewed appropriate agency personnel.
- Reviewed faculty that were awarded tenure during fiscal year 2018 and tested compliance and significant controls within the following areas:
 - Probationary years of service met.
 - Recommended by BSC Faculty Senate's Tenure Committee.
 - Received endorsement from President of BSC and SBHE gave final approval.
 - Tenure track was identified in faculty contracts.
 - Complete application documents maintained.
 - Scoring rubrics maintained.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Faculty Contracts, Evaluations, and Compensation

The audit of Bismarck State College's (BSC) procedures related to faculty contracts, evaluations, and compensation was conducted to meet the following objective:

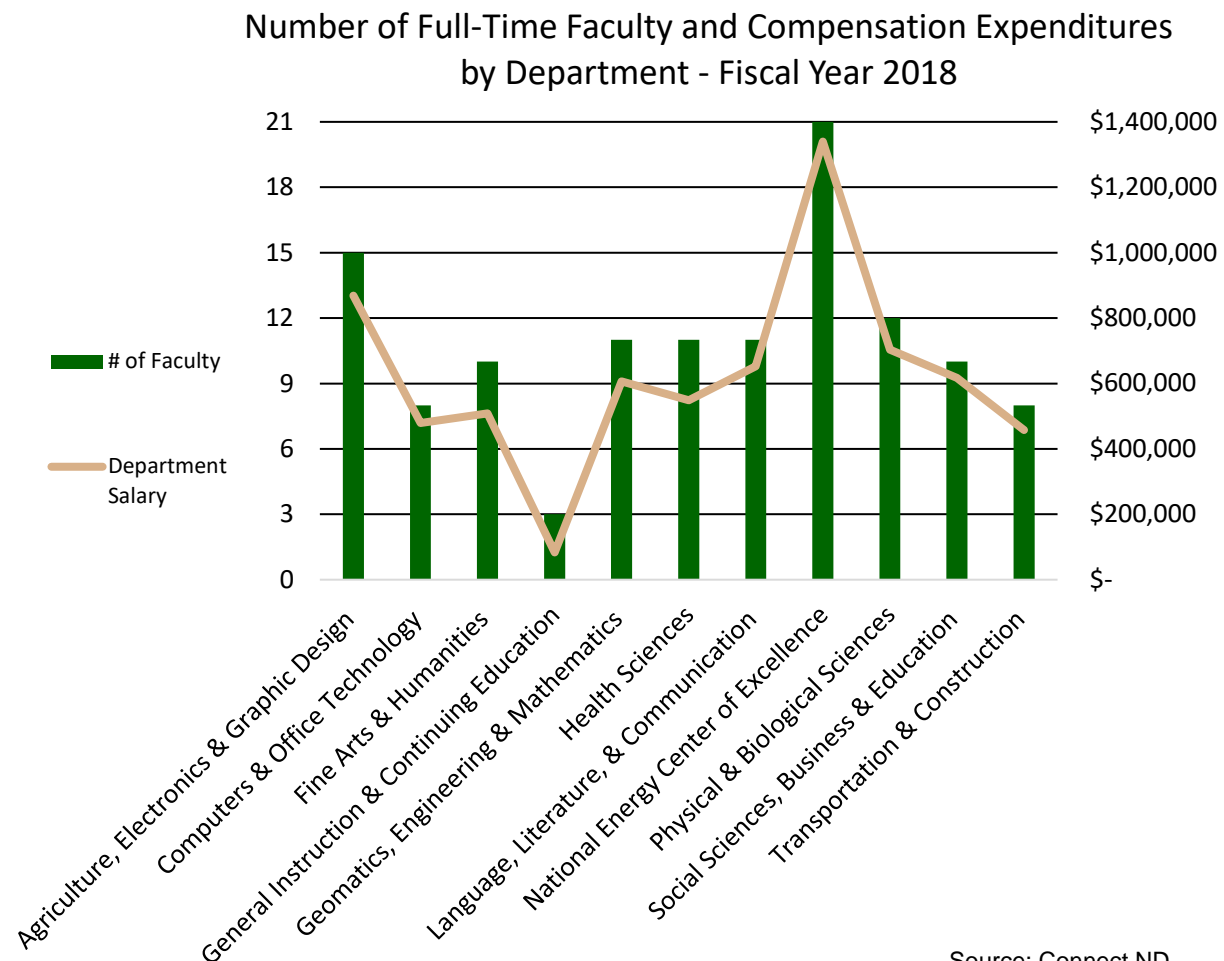
Did faculty work under a current contract, receive evaluations, and receive compensation according to their contracts?

Conclusion

Bismarck State College full-time faculty did work under current contracts, received evaluations, and were compensated according to their contracts.

Background Information and Results

BSC had 120 full-time faculty for fiscal year 2018. These employees received \$6,864,504 in compensation paid during fiscal year 2018 for Fall and Spring terms contract earnings, Department Chair compensation and Summer term contract earnings.



Source: Connect ND

According to BSC and our audit, the following procedures surround the tenure of full-time faculty.

Full-time faculty are employed through a one-year contract that is signed each July by the faculty and by the President of BSC. The contract states the position title and department, compensation, if the faculty is on a tenured track, and any degrees that the faculty needs to obtain with the date on when the degree needs to be completed.

State Board of Higher Education Policy 604.3 states all benefited university system employees shall have an annual written and verbal performance development review that includes evaluation of performance based upon mutually agreed upon development plans or goals. There are two types of faculty evaluations that are completed at BSC.

- A full evaluation is completed every third school year. This evaluation includes: student input; observation of a classroom visit including formal questions on communication, professionalism, classroom and student interaction, and administrative tasks; and a self-evaluation.
- A partial evaluation is completed each school year when a full evaluation is not completed. The partial evaluation includes student input and supervisory comments.

Internal Control

We gained an understanding of internal control and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. 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: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives and based upon the audit work performed.

Scope

Bismarck State College's sole location is its Bismarck office which was included in the audit scope. Contracts, evaluations, and compensation for full-time faculty were reviewed for fiscal year 2018. State Board of Higher Education Policy 605.1 section 4 defines faculty as all members of the academic staff, excluding coaches and administrators in their capacities as coaches or administrators. Compensation reviewed included Fall and Spring terms contract earnings, Department Chair compensation and Summer term contract earnings.

We did not review best practices for content of faculty contracts or the annual evaluation process. We did review if faculty had a valid contract and an evaluation was completed for the 2017-2018 school year.

Methodology

To meet this objective, we:

- Identified State Board of Higher Education policies, North Dakota University procedures, and Bismarck State College policies and procedures for faculty contracts, evaluations, and compensation.
- Interviewed appropriate agency personnel.
- Reviewed tenure of full-time faculty and tested compliance and significant controls within the following areas:
 - Valid and current contract were on file.
 - Student evaluations and/or classroom evaluations were completed.
 - Supervisor evaluations were completed.
 - Faculty compensation agreed to contract.
 - Merit pay increases were supported by current written performance reviews.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Recording Student Grades

An audit of Bismarck State College's (BSC) procedures related to recording student grades was conducted to meet the following objective:

Were student grade changes properly supported and approved?

Conclusion

Bismarck State College student grade changes were properly supported and approved.



Background Information and Results

Bismarck State College (BSC) has a manual process for entering final grades for students into Campus Solutions. All faculty need to have final grades entered by noon Tuesday following each semester end. After that date, faculty are unable to change grades in Campus Solutions. If final grade changes need to be made after the deadline, faculty must fill out a final grade change form and submit it to Academic Records at BSC stating the reason behind the change. Academic Records approves the grade change and updates Campus Solutions. Faculty may submit changes to final grades through the end of the next semester after a course is taken.

Internal Control

We gained an understanding of internal control and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. 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: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives and based upon the audit work performed.

Scope

Bismarck State College's sole location is its Bismarck office which was included in the audit scope. Final grade changes for the Fall 2017, Spring 2018 and Summer 2018 terms were reviewed for fiscal year 2018.

Methodology

To meet this objective, we:

- Identified State Board of Higher Education policies, North Dakota University procedures, and Bismarck State College policies and procedures for final student grade changes.
- Interviewed appropriate agency personnel.

- Reviewed grade changes and ensured an approved final grade change form, including a reason for the change, was on file.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Statutory Audit Requirements

The objective related to our statutory audit requirements is:

Are there any exceptions to report relating to statutorily required audit testing?

Statutorily required audit testing includes: performing the post audit of financial transactions, detecting and reporting any defaults, determining that expenses have been made in accordance with law, appropriation acts, and emergency commission action, and evaluating blanket bond coverage. Defaults are defined as failures to do something required by duty or law. Bonding coverage provides insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

Conclusion

Bismarck State College complied with law and appropriation requirements except for procurement and travel meal reimbursement policies. See Findings 18-02 and 18-03.

Background Information and Results

Audit procedures included testing compliance with appropriation laws, evaluating the adequacy of blanket bond coverage, and performing various tests of compliance involving procurement, scholarships, waivers, travel, operations, and purchase cards. Exceptions were noted in Finding 18-02 for noncompliance with procurement policies and Finding 18-03 for noncompliance with travel meal reimbursement policies.

Noncompliance with Procurement Policies (Finding 18-02)

Condition:

Bismarck State College (BSC) did not comply with North Dakota State Board of Higher Education's (SBHE) Purchasing Procedures Manual. Eleven of forty transactions tested were not properly procured resulting in a 28% error rate.

- Six of the transactions, totaling \$76,497, related to separate printing jobs that were purchased from the same company without BSC soliciting informal quotes or proposals from more than one vendor.
- Four purchases of commodities transactions, totaling \$29,043, were made without soliciting informal quotes or proposals from more than one vendor. These transactions were related to the purchases of countertops, fertilizer, arcade games, and flooring.
- One purchase of service transaction, for \$11,140, was made without soliciting informal quotes or proposals from more than one vendor. This transaction was related to the purchase of excavating, water line installation, and backfill service.

Criteria:

North Dakota Century Code (NDCC) section 15-10-17(5) states, SBHE may determine policy for purchasing by the University System in coordination with Office of Management and Budget as provided by NDCC chapter 54-44.4.

SBHE procedure 803.1 part 3 effective January 2016 states, for commodity purchases of more than \$5,000 but less than \$10,000 and for purchases of services of more than \$10,000 but less than \$50,000, informal quotes or proposals from more than one vendor shall be solicited, when feasible. In addition, the procedure states, for commodity purchases of \$10,000 to \$49,999,

informal quotes or proposals from more than one vendor shall be solicited or an alternate procurement request form or other non-competitive exception document is required.



**State Board of Higher
Education Policy
803.1
Purchasing**

According to the policy, **commodities** are defined as "all property, including equipment, supplies, materials, printing, insurance and leases of equipment."

Services are defined as "the furnishing of labor, time, or effort by a contractor, not involving the delivery of a specific end product other than reports that are merely incidental to the required performance. The term includes professional services."

Cause:

Management thought required procurement procedures were being followed when making purchases of commodities and services.

Effect or Potential Effect:

Competitive pricing may not have been obtained as required in SBHE Procedure 803.1.

Recommendation:

We recommend Bismarck State College properly procure commodities and services in compliance with the North Dakota State Board of Higher Education Purchasing Procedures Manual.

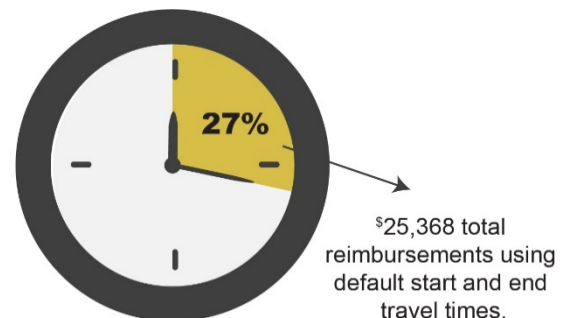
Bismarck State College Response:

Agree. BSC management were unclear on the per item cost verses multiple purchases and how this applies to the policy. BSC will follow up with additional procurement training for faculty and staff on multiple purchases and to clarify the requirements.

Noncompliance with Travel Meal Reimbursement Policies (Finding 18-03)

Condition:

Bismarck State College did not comply with meal reimbursement policies for employees. During the audit period 182 out of 675 meal reimbursements, or 27% totaling \$25,368, were made based on system default start and end times of 12:00 a.m. and 11:59 p.m. rather than actual times the employee was travelling. These meal reimbursements may have been made for overnight travel, which would have been allowable, but we were unable to determine this based on the data available from the travel and expense ConnectND module.



Source: ConnectND Financials

Criteria:

North Dakota Century Code (NDCC) section 44-08-04(2) states for travel within North Dakota, specific rates for each quarter of any twenty-four-hour period must be used.

Cause:

The travel and expense module in PeopleSoft has the option to identify the travel time for meal allowance by quarter or include comments on those meals. The time field isn't required and, if left blank, defaults to a 24-hour time period.

Effect or Potential Effect:

Improper payments may have been made to employees.

Recommendation:

We recommend Bismarck State College comply with travel meal reimbursement policies based on actual times the employee is travelling.

Bismarck State College Response:

Agree. BSC is updating the policy to provide clarification of allowable travel expenses. BSC accounting staff will implement a mandatory required time entry on expense reimbursements. Also, BSC will provide additional training regarding this updated policy.

Internal Control

We gained an understanding of internal control and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. 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: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, deficiencies in internal control that were significant within the context of our audit objectives and based upon the audit work performed are identified in Findings 18-02 and 18-03.

Scope

This audit of Bismarck State College is for the year ended June 30, 2018.

Bismarck State College's sole location is its Bismarck campus, which was included in the audit scope.

Methodology

To meet this objective, we:

- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Non-statistical sampling was used and the results were projected to the population.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed Bismarck State College's processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations including related transfers and emergency commission action. Where necessary, internal control was tested which included selecting representative samples to determine if controls were operating effectively and if laws were being followed consistently.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Performed an analysis and selected a sample of high-risk transactions, including procurement, purchase cards, travel expenses, operating expenses, scholarships, and waivers, for testing.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Authority and Standards

This year end performance audit of Bismarck State College has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The criteria used to evaluate internal control is published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

Financial Statements

Statement of Net Position

	<u>June 30, 2018</u>
ASSETS:	
Cash & cash equivalents	\$ 10,121,132
Investments	3,626,000
Accounts receivable, net	601,650
Due from other NDUS institutions	322,235
Due from component unit	44,009
Due from state general fund	374,787
Grants and contracts receivables, net	685,736
Inventories	718,577
Notes receivable, net	703,978
Other assets	378,292
Capital assets, net	<u>54,020,724</u>
Total assets	<u><u>\$ 71,597,120</u></u>
 Deferred outflows of resources	 \$ 3,409,599
LIABILITIES:	
Accounts payable	\$ 1,300,223
Due to other NDUS institutions	59,981
Due to component units	1,238,484
Accrued payroll	1,491,915
Unearned revenue	810,081
Deposits	438,369
Pension liability	6,686,468
OPEB liability	313,297
Due to others	
	<u>10,144,513</u>
Total liabilities	<u><u>\$ 22,483,331</u></u>
 Deferred inflows of resources	 \$ 505,021
NET POSITION:	
Invested in capital assets	\$ 43,854,724
Restricted For:	
Scholarships and fellowships	93,623
Institutional	(269)
Loans	226,140
Debt service	49,672
Unrestricted	<u>7,794,477</u>
Total net position	<u><u>\$ 52,018,367</u></u>

Source: ConnectND Financials

Statement of Revenues, Expenses, and Change in Net Position

	<u>June 30, 2018</u>
REVENUES AND OTHER ADDITIONS:	
Student tuition and fees	\$ 13,299,686
Federal grants and contracts	6,434,843
State and local grants and contracts	419,872
Nongovernmental grants and contracts	214,433
Sales and services of educational departments	3,331,299
Auxiliary enterprises	4,549,433
Other	8,926
State appropriations	15,131,390
Gifts	1,125,637
Endowment and investment income	16,910
Gain on disposal of capital assets	20,020
State appropriations - capital assets	344,136
Insurance proceeds	17,242
Capital grants and gifts	89,870
Total revenues and other additions	<u><u>\$ 45,003,697</u></u>
EXPENSES AND OTHER DEDUCTIONS:	
Salaries and wages	\$ 27,995,710
Operating expenses	10,752,318
Data processing	377,123
Depreciation	2,986,122
Scholarships and fellowships	1,369,325
Costs of sales and services	1,987,360
Interest on capital asset-related debt	356,871
Total expenses and other deductions	<u><u>\$ 45,824,829</u></u>
Revenue over expenses	\$ (821,132)
NET POSITION:	
Net position-beginning of the year, as restated	<u>\$ 52,839,499</u>
Net position-end of the year	<u><u>\$ 52,018,367</u></u>

Source: ConnectND Financials

Statement of Cash Flows

	<u>June 30, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Student tuition and fees	\$ 12,999,190
Grants and contracts	5,809,583
Payments to suppliers	(13,459,950)
Payments to employees	(27,562,101)
Payments for scholarships and fellowships	(1,369,325)
Loans issued to students	(533,325)
Collection of loans to students	60,420
Auxiliary enterprise charges	4,546,252
Sales and service of educational departments	3,428,820
Cash paid on deposits	(16,821)
Other receipts	64,382
Net cash used by operating activities	<u>\$ (16,032,875)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	\$ 15,351,450
Grants and gifts received for other than capital purposes	4,104,233
Direct Lending Receipts	7,145,388
Direct Lending Disbursements	(7,160,976)
Agency fund cash increase	229,442
Net cash flows provided by noncapital financing activities	<u>\$ 19,669,537</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital appropriations	\$ 303,603
Capital grants and gifts received	89,870
Proceeds from sale of capital assets	2,600
Purchases of capital assets	(316,449)
Insurance proceeds	17,240
Principal paid on capital debt and lease	(836,084)
Interest paid on capital debt and lease	(366,570)
Net cash used by capital and related financing activities	<u>\$ (1,105,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	3,561,000
Interest on investments	16,864
Purchase of investments	\$ (3,626,000)
Net cash used by investing activities	<u>\$ (48,136)</u>
<i>(Continued on next page)</i>	

(Continued from previous page)

	<u>June 30, 2018</u>
Net increase in cash	\$ 2,482,736
Cash, Beginning of Year	<u>\$ 7,638,396</u>
Cash, End of Year	<u><u>\$ 10,121,132</u></u>

**RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED BY
OPERATING ACTIVITIES:**

Operating loss	\$ (19,897,673)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	2,986,122
Other nonoperating expenses	(7,596)
Change in assets and liabilities	
Accounts receivable adjusted for interest receivable	(207,376)
Grant & contract receivables	1,428,641
Inventories	(40,731)
Notes receivable	(471,275)
Other assets	63,051
Accounts payable and accrued liabilities adjusted for interest payable	(300,034)
Pension liability	2,208,213
OPEB liability	51,135
Net change in deferred outflows	(1,786,945)
Net change in deferred inflows	140,341
Accrued payroll	(247,677)
Compensated absences	68,544
Unearned revenue	(2,795)
Deposits	<u>(16,822)</u>
Net cash used by operating activities	<u><u>\$ (16,032,877)</u></u>

Source: ConnectND Financials

Statement of Appropriations

For the Year Ended June 30, 2018

Expenses by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenses</u>	<u>Unexpended Appropriations</u>
Operating Expenses	\$ 101,794,408	\$ (124,374)	\$ 101,670,034	\$ 46,131,602	\$ 55,538,432
Capital Assets	1,922,561	124,374	2,046,935	125,114	1,921,821
Plant Improvement- Carryover		29	29		29
Totals	<u>\$ 103,716,969</u>	<u>\$ 29</u>	<u>\$ 103,716,998</u>	<u>\$ 46,256,716</u>	<u>\$ 57,460,282</u>
 Expenses by Source:					
General fund	\$ 30,724,971	\$ 29	\$ 30,725,000	\$ 15,100,740	\$ 15,624,260
Special fund	<u>72,991,998</u>		<u>72,991,998</u>	<u>31,155,976</u>	<u>41,836,022</u>
Totals	<u>\$ 103,716,969</u>	<u>\$ 29</u>	<u>\$ 103,716,998</u>	<u>\$ 46,256,716</u>	<u>\$ 57,460,282</u>

Source: ConnectND Financials

You may obtain audit reports on the internet at:
www.nd.gov/auditor
or by contacting the Office of the State Auditor at:
Email: ndsao@nd.gov
Phone: (701) 328-2241

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