

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**

*FINANCIAL STATEMENTS*  
*JUNE 30, 2008*

# **BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**

## Table of Contents

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|  | <u>Page</u> |
|--|-------------|
| <b>SCHOOL OFFICIALS</b>  | 1           |
| <b>INDEPENDENT AUDITOR’S REPORT</b>  | 2           |
| <b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>  | 4           |
| <b>BASIC FINANCIAL STATEMENTS</b>  |             |
| Net Assets   | 12          |
| Activities   | 13          |
| Balance Sheet – Governmental Funds   | 14          |
| Reconciliation of Governmental Funds Balance Sheet to the<br>Statement of Net Assets   | 15          |
| Revenues, Expenditures and Changes in Fund Balances –<br>Governmental Funds  | 16          |
| Reconciliation of Governmental Funds Statement of Revenues,<br>Expenditures and Changes in Fund Balances to the Statement<br>of Activities | 17          |
| Net Assets – Proprietary Funds   | 18          |
| Revenues, Expenses and Changes in Fund Net Assets – Proprietary<br>Fund  | 19          |
| Cash Flows – Proprietary Fund  | 20          |
| Fiduciary Assets and Liabilities   | 21          |
| Notes to the Financial Statements  | 22          |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  |             |
| Budgetary Comparison Schedule – General Fund   | 35          |
| Notes to the Required Supplementary Information  | 36          |

**SUPPLEMENTARY INFORMATION**

|   |    |
|---|----|
| Combining Balance Sheet   |    |
| Total Nonmajor Governmental Funds   | 37 |
| Nonmajor Debt Service Funds   | 38 |
| <br>  |    |
| Combining Statement of Revenues, Expenditures and Changes<br>in Fund Balances |    |
| Total Nonmajor Governmental Funds   | 39 |
| Nonmajor Debt Service Funds   | 40 |

|   |    |
|---|----|
| <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b> | 41 |
|---|----|

|  |    |
|--|----|
| <b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON<br/>COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL<br/>STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT<br/>AUDITING STANDARDS</i></b> | 44 |
|--|----|

|  |    |
|--|----|
| <b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR<br/>PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE<br/>WITH OMB CIRCULAR A-133</b> | 46 |
|--|----|

|   |    |
|---|----|
| <b>SCHEDULE OF PRIOR AUDIT FINDINGS</b> | 48 |
|---|----|

|  |    |
|--|----|
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> | 49 |
|--|----|

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHOOL OFFICIALS**  
**2007-2008**

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Daniel Kuntz  
Steve Marquardt  
Paul Govig  
Parrell Grossman  
Marcia Olson

Dr. Paul Johnson  
Fran Rodenburg  
Dr. John Salwei

Edwin Gerhardt

President  
Vice-President  
Board Member  
Board Member  
Board Member

Superintendent  
Assistant Superintendent  
Assistant Superintendent

Business Manager



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Bismarck Public School District No. 1**, Bismarck, North Dakota, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Bismarck Public School District No. 1's** management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the **Bismarck Public School District No. 1**, Bismarck, North Dakota, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2009 on our consideration of the **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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Bismarck Public School District No. 1**, Bismarck, North Dakota's, basic financial statements. The listing of school officials and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the **Bismarck Public School District No. 1**. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The listing of school officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Erde Bailly LLP

Bismarck, North Dakota  
January 15, 2009

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2008**

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This Management's Discussion and Analysis (MD&A) of Bismarck Public School District No. 1's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008, with comparative data for the fiscal year ended June 30, 2007.

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 2007-2008 are as follows:

- Bismarck Public School District No. 1 had an increase of \$4,624,717 in net assets as a result of governmental activities. Total net assets of governmental activities were \$72,525,564 as of June 30, 2008 compared to \$67,900,847 the previous year.
- Total revenues from all sources were \$102,896,127. This is an increase of \$4,400,242 from the fiscal year ended June 30, 2007.
- Total expenditures were \$98,271,410. This is an increase of \$5,570,174 from the previous year.
- The District's general fund had \$94,728,138 in total revenues and \$95,285,823 in total expenditures. There was a total of \$69,576 from other financing sources. Overall, the general fund balance decreased by \$488,109 for the year ended June 30, 2008.
- The unreserved general fund balance was \$11,677,101 as of June 30, 2008. This balance represents 12.2% of total general fund expenditures for the year. The unreserved general fund balance decreased by \$426,259 from July 1, 2007.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can better understand Bismarck Public School 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 Assets and the 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. 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 general fund with all other governmental funds presented in total in one column.

**REPORTING ON THE DISTRICT AS A WHOLE**

*Statement of Net Assets and Statement of Activities*

These statements are summaries of all the funds used by the Bismarck School District No. 1 to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2008?"

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The Statement of Net Assets present information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net assets changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net assets 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 assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Assets 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 buildings and grounds, student transportation, and co-curricular activities.

### REPORTING ON 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, only the District's general fund is considered a "major fund." The District's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds."

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I provides a summary of the District's net assets as of June 30, 2008, with comparative data for the fiscal year ended June 30, 2007. As indicated in the financial highlights above, the District's net assets increased by \$4,624,717 from \$67,900,847 to \$72,525,564 as of June 30, 2008.

The District's net assets are segregated into three categories. Net assets invested in capital assets (net of related debt) represent 72% of the District's total net assets. It should be noted that these assets are not available for future spending. Restricted net assets represent 9% of the District's net assets. Restricted net assets represent resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net assets represent 19% of the District's net assets. The unrestricted net assets are available to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TABLE I  
NET ASSETS**

|  | <u>6-30-08</u>       | <u>6-30-07</u>       |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                      |                      |                      |
| Current assets (exc. investment with fiscal agent) | \$ 33,039,680        | \$ 30,193,798        |
| Capital assets (net of accumulated depreciation)   | 70,118,678           | 68,008,168           |
| Total assets                                       | <u>103,158,358</u>   | <u>98,201,966</u>    |
| <b>LIABILITIES</b>                                 |                      |                      |
| Current liabilities                                | 10,557,656           | 9,497,506            |
| Bonds payable                                      | 17,824,112           | 18,917,833           |
| Long-term liabilities (exc. bonds payable)         | 2,251,026            | 1,885,780            |
| Total liabilities                                  | <u>30,632,794</u>    | <u>30,301,119</u>    |
| <b>NET ASSETS</b>                                  |                      |                      |
| Invested in capital assets (net of related debt)   | 52,291,997           | 48,969,094           |
| Restricted for debt service and capital projects   | 6,705,917            | 4,533,699            |
| Unrestricted                                       | 13,527,650           | 14,398,054           |
| Total net assets                                   | <u>\$ 72,525,564</u> | <u>\$ 67,900,847</u> |

Table II shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

**TABLE II  
CHANGES IN NET ASSETS**

|   | <u>2007-2008</u>   | <u>2006-2007</u>  |
|---|--------------------|-------------------|
| <b>REVENUES</b>                             |                    |                   |
| Program revenues                            |                    |                   |
| Charges for services                        | \$ 4,504,388       | \$ 4,106,533      |
| Operating grants and contributions          | 13,786,186         | 20,031,221        |
| General revenues                            |                    |                   |
| Property taxes                              | 46,625,276         | 44,707,417        |
| State aid - unrestricted                    | 36,749,327         | 28,626,141        |
| Interest earnings and miscellaneous revenue | 1,081,001          | 1,034,634         |
| (Loss) gain on sale of capital assets       | 149,949            | (10,061)          |
| Total revenues                              | <u>102,896,127</u> | <u>98,495,885</u> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

|                            | <u>2007-2008</u>           | <u>2006-2007</u>    |
|----------------------------|----------------------------|---------------------|
| <b>EXPENSES</b>            |                            |                     |
| Regular instruction        | <b>53,410,579</b>          | 50,153,855          |
| Special education          | <b>16,594,221</b>          | 15,305,736          |
| Vocational education       | <b>3,760,602</b>           | 3,577,483           |
| District wide services     | <b>3,451,706</b>           | 3,749,191           |
| Administration             | <b>2,240,719</b>           | 2,083,554           |
| School food services       | <b>4,023,082</b>           | 3,713,990           |
| Operations and maintenance | <b>9,419,609</b>           | 8,886,295           |
| Student transportation     | <b>1,996,845</b>           | 1,931,589           |
| Co-curricular activities   | <b>2,663,211</b>           | 2,543,878           |
| Rental payments            | <b>2,484</b>               | 29,810              |
| Debt service               | <b>708,352</b>             | 725,855             |
| Total expenses             | <u><b>98,271,410</b></u>   | <u>92,701,236</u>   |
| Change in net assets       | <u><b>\$ 4,624,717</b></u> | <u>\$ 5,794,649</u> |

Property taxes constituted 45%, unrestricted state aid 36%, operating grants and contributions 13%, and charges for services made up 4% of the total revenues of governmental activities of the District for fiscal year 2006-2007.

Regular instruction constituted 54%, special education 17%, and vocational education 4% of total expenditures for governmental activities during fiscal year 2007-2008.

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 for the years ended June 30, 2007 and June 30, 2008.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TABLE III  
TOTAL AND NET COST OF SERVICES**

|                            | <u>Year Ended 6-30-08</u> |                      | <u>Year Ended 6-30-07</u> |                      |
|----------------------------|---------------------------|----------------------|---------------------------|----------------------|
|                            | <u>Total Cost</u>         | <u>Net Cost</u>      | <u>Total Cost</u>         | <u>Net Cost</u>      |
| Regular instruction        | \$ 53,410,579             | \$ 45,417,292        | \$ 50,153,855             | \$ 40,198,793        |
| Special education          | 16,594,221                | 11,633,737           | 15,305,736                | 5,760,604            |
| Vocational education       | 3,760,602                 | 3,167,152            | 3,577,483                 | 2,993,845            |
| District wide services     | 3,451,706                 | 3,451,706            | 3,749,191                 | 3,749,191            |
| Administration             | 2,240,719                 | 2,240,719            | 2,083,554                 | 2,083,554            |
| School food services       | 4,023,082                 | 115,083              | 3,713,990                 | 67,743               |
| Operations and maintenance | 9,419,609                 | 9,419,609            | 8,886,295                 | 8,886,295            |
| Student transportation     | 1,996,845                 | 1,563,302            | 1,931,589                 | 1,931,589            |
| Co-curricular activities   | 2,663,211                 | 2,261,400            | 2,543,878                 | 2,136,203            |
| Rental payments            | 2,484                     | 2,484                | 29,810                    | 29,810               |
| Debt service               | 708,352                   | 708,352              | 725,855                   | 725,855              |
|                            | <u>\$ 98,271,410</u>      | <u>\$ 79,980,836</u> | <u>\$ 92,701,236</u>      | <u>\$ 68,563,482</u> |

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's general fund had total revenues of \$94,728,138 and total expenditures of \$95,285,823 for the year ended June 30, 2008. Total governmental funds had total revenues of \$102,568,525 and expenditures of \$101,163,519 for the year ended June 30, 2008.

As of June 30, 2008 the balance of the District's general fund was \$11,897,836 and total balance of all the District's governmental funds was \$19,632,826.

**GENERAL FUND BUDGET HIGHLIGHTS**

Actual revenue for the year ended June 30, 2008 was \$22,138 more than the final budget. Local source revenue was \$1,216,428 more than budgeted and revenue from state sources was \$140,411 under budget. Revenues from federal sources were \$1,053,879 under budget due primarily to federal grants that were awarded but not fully expended as of the end of the fiscal year.

Actual expenditures for the year ended June 30, 2008 were under budget by \$2,124,177. This variance consists of expenditures associated with federal grants that were not completed as of the end of the fiscal year and several other categories for which actual expenditures were less than budgeted amounts. Capital outlays exceeded the budgeted amount by \$176,685 due to construction projects which proceeded more quickly than planned.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### CAPITAL ASSETS

As of June 30, 2008, the Bismarck Public School District No. 1 had \$70,118,678 in net capital assets. Table IV shows the balances as of June 30, 2008 and 2007.

**TABLE IV**  
**CAPITAL ASSETS**  
**(Net of Accumulated Depreciation)**

|                                   | <u>6-30-08</u>       | <u>6-30-07</u>       |
|-----------------------------------|----------------------|----------------------|
| <b>CAPITAL ASSETS</b>             |                      |                      |
| Land                              | \$ 3,487,432         | \$ 3,477,541         |
| Buildings                         | 58,805,483           | 60,223,762           |
| Furniture and equipment           | 414,359              | 303,180              |
| Vehicles and equipment            | 720,799              | 634,734              |
| Improvements other than buildings | 3,302,430            | 2,751,858            |
| Construction in progress          | 3,388,175            | 617,093              |
|                                   | <u>\$ 70,118,678</u> | <u>\$ 68,008,168</u> |

Total capital assets (before depreciation) increased from \$103,646,846 to \$107,624,405 during fiscal year 2007-2008 and net capital assets (after depreciation) increased by \$2,110,510. Accumulated depreciation increased by \$1,867,049 from \$35,638,678 to \$37,505,727.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 8 to the financial statements.

### DEBT ADMINISTRATION (NOTE 11)

As of June 30, 2008, the Bismarck Public School District No. 1 had \$20,075,138 in long-term debt, of which \$17,824,112 was general obligation bonds. Principal payments of \$1,180,148 are due during 2008-2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TABLE V**  
**OUTSTANDING GENERAL OBLIGATION DEBT**  
**As of June 30, 2008 and 2007**

|                                | <b>Total<br/>Outstanding<br/>6-30-08</b> | <b>Due Within<br/>One Year</b> | <b>Total<br/>Outstanding<br/>6-30-07</b> | <b>Due Within<br/>One Year</b> |
|--------------------------------|--|--------------------------------|--|--------------------------------|
| 2005 GO refunding bonds        | \$ 8,160,000                             | \$ 460,000                     | \$ 8,580,000                             | \$ 420,000                     |
| 2003 GO bonds                  | 552,367                                  | 29,482                         | 580,962                                  | 28,596                         |
| 2002 refunding bonds, series B | 4,215,000                                | 350,000                        | 4,540,000                                | 325,000                        |
| 2001 GO bonds                  | 1,160,772                                | 76,905                         | 1,235,838                                | 75,065                         |
| 1999 GO bonds                  | 2,430,000                                | 135,000                        | 2,550,000                                | 120,000                        |
| 1997 GO bonds, series B        | 1,305,973                                | 128,761                        | 1,431,033                                | 125,060                        |
| <b>Total</b>                   | <b>\$ 17,824,112</b>                     | <b>\$ 1,180,148</b>            | <b>\$ 18,917,833</b>                     | <b>\$ 1,093,721</b>            |

**FOR THE FUTURE**

Bismarck Public School District No. 1 has continued to benefit from a steadily rising property tax base. For fiscal year 2007-2008, the District's taxable valuation was \$205,360,014. This is an increase of 12.9% from the previous year. During the past ten years, the District's taxable valuation has more than doubled. The District's taxable valuation increased 11.8% to \$229,643,662 for the 2008 tax year. This steadily growing tax base has provided Bismarck Public School District No. 1 with additional property tax revenue while at the same time allowing the District to reduce the number mills needed to be levied to fund the District's operations.

Student enrollment has continued to increase and the District has been able to maintain its physical plant in excellent condition. The District has fifteen elementary schools for the 5,608 students who were enrolled in grades kindergarten through six on the first day of the 2008-09 school year. This is an increase of 89 students from the previous year.

The District's secondary students are enrolled in three middle schools covering grades 7-9, two regular high schools for sophomores through seniors and one alternative high school for students over the age of 16. Total enrollment in secondary schools was 5,109 on August 21, 2008, which is a decrease of 22 students than the first day of the 2007-08 school year.

The Bismarck School District No. 1 is preparing plans and specifications for the construction of a new elementary school in northeast Bismarck and a new career and technical education center on the campus of Bismarck State College. Bids are scheduled to be opened in early 2009 with expected completion for both projects in time for opening of school in the fall of 2010. A loan commitment from the State School Construction Loan Fund in the amount of \$7,500,000 has been secured with the remaining cost of the projects to be paid from available general and building fund reserves.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our parents, taxpayers, and creditors with a general overview of Bismarck Public School 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 Bismarck Public School District No. 1. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Edwin J. Gerhardt, Business Manager, Bismarck Public School District No. 1, 806 N Washington St., Bismarck, ND 58501; phone 701-355-3057, fax 701-355-3001, or email [ed\\_gerhardt@educ8.org](mailto:ed_gerhardt@educ8.org).

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>                                    |                                    |
| Cash   | \$ 698,945                         |
| Investments                                      | 27,215,537                         |
| Accounts receivable                              | 232,751                            |
| Taxes receivable                                 | 2,171,136                          |
| Intergovernmental receivable                     | 2,164,394                          |
| Due from county treasurer                        | 215,213                            |
| Inventories                                      | 341,704                            |
| Capital assets (net of accumulated depreciation) |                                    |
| Land   | 3,487,432                          |
| Buildings  | 58,805,483                         |
| Furniture and equipment                          | 414,359                            |
| Vehicles and equipment                           | 720,799                            |
| Improvements other than buildings                | 3,302,430                          |
| Construction in progress                         | 3,388,175                          |
| Total capital assets                             | <u>70,118,678</u>                  |
| Total assets                                     | <u><u>\$ 103,158,358</u></u>       |
| <b>LIABILITIES</b>                               |                                    |
| Accounts, salaries and benefits payable          | \$ 9,708,404                       |
| Incurred but not reported claims                 | 745,000                            |
| Interest payable                                 | 104,252                            |
| Long-term liabilities                            |                                    |
| Due within one year                              |                                    |
| Capital leases payable                           | 2,569                              |
| Bonds payable                                    | 1,180,148                          |
| Compensated absences payable                     | 160,000                            |
| Due after one year                               |                                    |
| Bonds payable                                    | 16,643,964                         |
| Compensated absences payable                     | 2,088,457                          |
| Total liabilities                                | <u>30,632,794</u>                  |
| <b>NET ASSETS</b>                                |                                    |
| Invested in capital assets, net of related debt  | 52,291,997                         |
| Restricted for                                   |                                    |
| Debt service                                     | 1,308,654                          |
| Capital projects                                 | 5,397,263                          |
| Unrestricted                                     | <u>13,527,650</u>                  |
| Total net assets                                 | <u><u>\$ 72,525,564</u></u>        |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

| Functions/Programs                   | Expenses             | Program Revenues     |                                    | Net (Expense) Revenue and Changes in Net Assets |
|--------------------------------------|----------------------|----------------------|------------------------------------|---|
|                                      |                      | Charges for Services | Operating Grants and Contributions |   |
| Governmental activities              |                      |                      |                                    |   |
| Regular instruction                  | \$ 53,410,579        | \$ 560,285           | \$ 7,433,002                       | \$ (45,417,292)                                 |
| Special education                    | 16,594,221           | 780,322              | 4,180,162                          | (11,633,737)                                    |
| Career and technical education       | 3,760,602            | 20,000               | 573,450                            | (3,167,152)                                     |
| District wide services               | 3,451,706            |                      |                                    | (3,451,706)                                     |
| Administration                       | 2,240,719            |                      |                                    | (2,240,719)                                     |
| School food services                 | 4,023,082            | 2,741,673            | 1,166,326                          | (115,083)                                       |
| Operations and maintenance           | 9,419,609            |                      |                                    | (9,419,609)                                     |
| Transportation                       | 1,996,845            | 297                  | 433,246                            | (1,563,302)                                     |
| Co-curricular activities             | 2,663,211            | 401,811              |                                    | (2,261,400)                                     |
| Rental payments                      | 2,484                |                      |                                    | (2,484)   |
| Interest - unallocated               | 705,491              |                      |                                    | (705,491)                                       |
| Bond service charges and costs       | 2,861                |                      |                                    | (2,861)   |
| <b>Total governmental activities</b> | <b>\$ 98,271,410</b> | <b>\$ 4,504,388</b>  | <b>\$ 13,786,186</b>               | <b>(79,980,836)</b>                             |
| General Revenues                     |                      |                      |                                    |   |
| Taxes                                |                      |                      |                                    |   |
|                                      |                      |                      |                                    | 42,966,686                                      |
|                                      |                      |                      |                                    | 1,990,574                                       |
|                                      |                      |                      |                                    | 1,668,016                                       |
|                                      |                      |                      |                                    | 36,749,327                                      |
|                                      |                      |                      |                                    | 743,573   |
|                                      |                      |                      |                                    | 337,428   |
|                                      |                      |                      |                                    | 149,949   |
|                                      |                      |                      |                                    | <u>84,605,553</u>                               |
|                                      |                      |                      |                                    | <u>4,624,717</u>                                |
|                                      |                      |                      |                                    | <u>67,900,847</u>                               |
|                                      |                      |                      |                                    | <u>\$ 72,525,564</u>                            |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

|  | <u>General</u>       | <u>Building<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|--------------------------|---|---|
| <b>ASSETS</b>                              |                      |                          |   |   |
| Cash                                       | \$ 530,165           | \$ 45,516                | \$ 96,950                               | \$ 672,631                              |
| Investments                                | 18,129,609           | 5,347,340                | 2,237,588                               | 25,714,537                              |
| Accounts receivable                        | 232,751              | -                        | -                                       | 232,751                                 |
| Taxes receivable                           | 1,997,524            | 92,788                   | 80,824                                  | 2,171,136                               |
| Intergovernmental receivable               | 2,149,700            | -                        | 14,694                                  | 2,164,394                               |
| Due from county treasurer                  | 199,274              | 8,466                    | 7,473                                   | 215,213                                 |
| Inventories                                | 220,735              | -                        | 120,969                                 | 341,704                                 |
|  | <u>\$ 23,459,758</u> | <u>\$ 5,494,110</u>      | <u>\$ 2,558,498</u>                     | <u>\$ 31,512,366</u>                    |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                          |   |   |
| <b>Liabilities</b>                         |                      |                          |   |   |
| Accounts, salaries and benefits payable    | \$ 9,564,398         | \$ 4,059                 | \$ 139,947                              | \$ 9,708,404                            |
| Deferred revenue                           | 1,997,524            | 92,788                   | 80,824                                  | 2,171,136                               |
|  | <u>11,561,922</u>    | <u>96,847</u>            | <u>220,771</u>                          | <u>11,879,540</u>                       |
| <b>Fund balances</b>                       |                      |                          |   |   |
| Reserved for inventories                   | 220,735              | -                        | 120,969                                 | 341,704                                 |
| Reserved for debt service                  | -                    | -                        | 1,308,654                               | 1,308,654                               |
| Unreserved, reported in                    |                      |                          |   |   |
| General fund                               | 11,677,101           | -                        | -                                       | 11,677,101                              |
| Special revenue funds                      | -                    | -                        | 908,104                                 | 908,104                                 |
| Capital project fund                       | -                    | 5,397,263                | -                                       | 5,397,263                               |
| Total fund balances                        | <u>11,897,836</u>    | <u>5,397,263</u>         | <u>2,337,727</u>                        | <u>19,632,826</u>                       |
|  | <u>\$ 23,459,758</u> | <u>\$ 5,494,110</u>      | <u>\$ 2,558,498</u>                     | <u>\$ 31,512,366</u>                    |
| <b>Total liabilities and fund balances</b> | <u>\$ 23,459,758</u> | <u>\$ 5,494,110</u>      | <u>\$ 2,558,498</u>                     | <u>\$ 31,512,366</u>                    |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF**  
**NET ASSETS**  
**JUNE 30, 2008**

|  |                     |                             |
|--|---------------------|-----------------------------|
| Total fund balances for governmental funds   |                     | \$ 19,632,826               |
| Total net assets reported for government activities in the statement of net assets 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   | 107,624,405         |                             |
| Less accumulated depreciation  | <u>(37,505,727)</u> |                             |
| Net capital assets   |                     | 70,118,678                  |
| 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 revenues in the funds.  |                     |                             |
|  |                     | 2,171,136                   |
| 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 expenditures when due. All liabilities both current and long-term are reported in the statement of net assets. |                     |                             |
| Balances at June 30, 2008 are:   |                     |                             |
| Bonds payable  | (17,824,112)        |                             |
| Capital leases payable   | (2,569)             |                             |
| Interest payable   | (104,252)           |                             |
| Compensated absences   | <u>(2,248,457)</u>  |                             |
| Total long-term liabilities  |                     | (20,179,390)                |
| Internal service funds are used by the school to charge the costs of health insurance to departments. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.  |                     |                             |
|  |                     | <u>782,314</u>              |
| Total net assets of governmental activities  |                     | <u><u>\$ 72,525,564</u></u> |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|  | General              | Building<br>Fund    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                                      |                      |                     |                                |                                |
| Local sources  | \$ 46,037,081        | \$ 2,159,792        | \$ 4,463,535                   | \$ 52,660,408                  |
| State sources  | 38,441,690           | -                   | 50,734                         | 38,492,424                     |
| Federal sources                                      | 10,249,367           | -                   | 1,166,326                      | 11,415,693                     |
| Total revenues                                       | <u>94,728,138</u>    | <u>2,159,792</u>    | <u>5,680,595</u>               | <u>102,568,525</u>             |
| <b>EXPENDITURES</b>                                  |                      |                     |                                |                                |
| <b>Current</b>                                       |                      |                     |                                |                                |
| Regular instruction                                  | 51,368,763           | -                   | -                              | 51,368,763                     |
| Special education                                    | 16,552,242           | -                   | -                              | 16,552,242                     |
| Career and technical<br>education                    | 3,745,508            | -                   | -                              | 3,745,508                      |
| District wide services                               | 3,451,706            | -                   | -                              | 3,451,706                      |
| Administration                                       | 2,187,080            | -                   | -                              | 2,187,080                      |
| School food services                                 | -                    | -                   | 3,981,466                      | 3,981,466                      |
| Operations and maintenance                           | 8,390,401            | -                   | -                              | 8,390,401                      |
| Transportation                                       | 1,955,291            | -                   | -                              | 1,955,291                      |
| Co-curricular activities                             | 2,653,809            | -                   | -                              | 2,653,809                      |
| Rental payments                                      | -                    | 2,484               | -                              | 2,484                          |
| Capital outlay                                       | 4,981,023            | 39,213              | 54,259                         | 5,074,495                      |
| <b>Debt service</b>                                  |                      |                     |                                |                                |
| Principal  | -                    | 103,660             | 990,060                        | 1,093,720                      |
| Interest   | -                    | 48,288              | 655,405                        | 703,693                        |
| Service charges                                      | -                    | 400                 | 2,461                          | 2,861                          |
| Total expenditures                                   | <u>95,285,823</u>    | <u>194,045</u>      | <u>5,683,651</u>               | <u>101,163,519</u>             |
| Excess (deficiency) of revenues<br>over expenditures | <u>(557,685)</u>     | <u>1,965,747</u>    | <u>(3,056)</u>                 | <u>1,405,006</u>               |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>            |                      |                     |                                |                                |
| Sale of capital assets                               | 69,576               | 132,535             | 2,760                          | 204,871                        |
| Transfers in   | -                    | -                   | 76,560                         | 76,560                         |
| Transfers out  | -                    | (76,560)            | -                              | (76,560)                       |
| Total other financing<br>sources                     | <u>69,576</u>        | <u>55,975</u>       | <u>79,320</u>                  | <u>204,871</u>                 |
| Net change in fund balances                          | <u>(488,109)</u>     | <u>2,021,722</u>    | <u>76,264</u>                  | <u>1,609,877</u>               |
| Fund balance - July 1                                | <u>12,385,945</u>    | <u>3,375,541</u>    | <u>2,261,463</u>               | <u>18,022,949</u>              |
| Fund balance - June 30                               | <u>\$ 11,897,836</u> | <u>\$ 5,397,263</u> | <u>\$ 2,337,727</u>            | <u>\$ 19,632,826</u>           |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|  |                    |                            |
|--|--------------------|----------------------------|
| Net change in fund balances - total governmental funds   |                    | \$ 1,609,877               |
| The change in net assets 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 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  | 4,275,522          |                            |
| Current year depreciation expense  | <u>(2,110,090)</u> |                            |
|  |                    | 2,165,432                  |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.   |                    | 1,097,393                  |
| 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   | (368,918)          |                            |
| Net increase in interest payable   | <u>(1,798)</u>     |                            |
|  |                    | (370,716)                  |
| 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 decrease in taxes receivable.   |                    | (37,759)                   |
| 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.   |                    | 215,412                    |
| Proceeds from sale of capital assets are reported as revenues in the government fund statements and are not reported as revenues in the statement of activities.   |                    | (204,871)                  |
| Gain on sale of capital assets is not reported in the government fund statements and is shown in the statement of activities.  |                    | <u>149,949</u>             |
| Change in net assets of governmental activities  |                    | <u><u>\$ 4,624,717</u></u> |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2008**

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|                                  | <u>Internal<br/>Service Fund<br/>Insurance</u> |
|----------------------------------|--|
| ASSETS                           |  |
| Current assets                   |  |
| Cash                             | \$ 26,314                                      |
| Investments                      | <u>1,501,000</u>                               |
| Total current assets             | <u>1,527,314</u>                               |
| LIABILITIES                      |  |
| Current liabilities              |  |
| Incurred but not reported claims | <u>745,000</u>                                 |
| NET ASSETS                       |  |
| Unrestricted                     | <u>782,314</u>                                 |
| Total net assets                 | <u><u>\$ 782,314</u></u>                       |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|  | <u>Internal<br/>Service Fund<br/>Insurance</u> |
|--|--|
| Operating revenues                       |  |
| Contributions to self-insurance district | \$ 9,467,146                                   |
| Contributions to self-insurance cobra    | 516,971  |
| Rebates                                  | 54,471   |
| Total operating revenues                 | <u>10,038,588</u>                              |
| Operating expenses                       |  |
| Health insurance claims                  | <u>9,823,176</u>                               |
| Change in net assets                     | <u>215,412</u>                                 |
| Total net assets - July 1                | <u>566,902</u>                                 |
| Total net assets - June 30               | <u><u>\$ 782,314</u></u>                       |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|  | <u>Internal<br/>Service Fund<br/>Insurance</u> |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Received from district - current premiums  | \$ 9,484,068                                   |
| Received from COBRA premiums   | 516,971  |
| Rebates received   | 54,471   |
| Payments for health insurance claims   | (9,694,907)                                    |
| Net cash provided by operating activities  | <u>360,603</u>                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |
| Purchase of Investments  | <u>(1,001,000)</u>                             |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>   | (640,397)                                      |
| <b>CASH AND CASH EQUIVALENTS - JULY 1</b>  | <u>666,711</u>                                 |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30</b>   | <u>\$ 26,314</u>                               |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b> |  |
| Operating income   | \$ 215,412                                     |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities  |  |
| Changes in assets and liabilities  |  |
| Health insurance receivable  | 16,922   |
| Increase in incurred but not reported claims payable                                       | 128,269  |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u>\$ 360,603</u>                              |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS**  
**JUNE 30, 2008**

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|   | <u>Agency<br/>Funds</u>  |
|---|--------------------------|
| <b>ASSETS</b>                           |                          |
| Cash and cash equivalents               | \$ 104,604               |
| Investments                             | 601,410                  |
| Intergovernmental receivables           | <u>50,081</u>            |
| Total assets                            | <u><u>\$ 756,095</u></u> |
| <b>LIABILITIES</b>                      |                          |
| Accounts, salaries and benefits payable | \$ 49,924                |
| Due to consortium participants          | 214,051                  |
| Due to student activities groups        | <u>492,120</u>           |
| Total liabilities                       | <u><u>\$ 756,095</u></u> |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Bismarck Public School District No. 1, Bismarck, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

*Reporting Entity*

The accompanying financial statements present the activities of the Bismarck Public School District No. 1. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District such that exclusion would cause the School 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.

*Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund – This is the School District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Fund – This fund accounts for all financial resources applicable to capital projects.

Additionally, the School District reports the following fund types:

Agency Funds – These fund accounts for assets by the School District in a custodial capacity as an agent on behalf of others. The School District’s agency fund is used to account for various deposits of the student activity funds, Teacher Learning Center and Missouri River Education Cooperative.

Internal Service Fund – This fund accounts for all insurance premiums collected by employees of the district and all claims paid by the fund on behalf of district employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

## NOTES TO FINANCIAL STATEMENTS

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### *Inventories*

Inventories are valued using the weighted-average method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

### *Capital Assets*

Capital assets which include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

|                         |             |
|-------------------------|-------------|
| Buildings               | 7-50 years  |
| Furniture and equipment | 5-12 years  |
| Vehicles and equipment  | 10-15 years |
| Improvements            | 10-30 years |

### *Compensated Absences*

Vested or accumulated vacation leave is reported in government-wide statement of net assets. Compensation for unused vacation leave will be granted to all full-time administrators, other professional non-certified employees, and support staff employees upon termination of employment with the School District. The professional non-certified employees may carry forward unused leave not to exceed 20 days. Nine, ten, and eleven month support staff employees may not carry any leave forward, and all other staff may carry forward no more than 20 days leave.

Compensation for unused sick leave will be granted to all full-time administrators, other professional non-certified employees, and support staff employees upon retirement from the School District. The severance payment will be based on \$30.00 per day for administrators and professional support staff, \$25.00 per day for teachers and \$20.00 per day for all other support staff for each day of unused sick leave not to exceed \$3,000.

### *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 assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the 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. Insurance costs are reported as debt service expenditures.

## NOTES TO FINANCIAL STATEMENTS

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### *Fund Equity*

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

### *Interfund Transactions*

In the governmental fund statements, transactions that constitute reimbursements 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.

### *Deferred Revenue*

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 deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

### *Restricted and Unrestricted Resources*

It is the district's policy to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

## **NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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At year ended June 30, 2008, the school's carrying amount of deposits was as follows:

|                       |                              |
|-----------------------|------------------------------|
| Governmental funds    | \$ 672,631                   |
| Internal service fund | 26,314                       |
| Agency funds          | <u>104,604</u>               |
| <br>Total deposits    | <br><u><u>\$ 803,549</u></u> |

The bank balance of these deposits as of June 30, 2008 was \$1,348,223. Of the bank balances, \$200,000 was covered by Federal Depository Insurance. All of the remaining balance of \$1,148,223 was collateralized with securities held by the pledging financial institutions' agent in the government'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.

The investments of the school consist of an investment in the MBBM investment pool. The MBBM investment pool was undertaken through a joint powers agreement with the City of Bismarck, City of Mandan, Morton County, Burleigh County, Bismarck Park District, Mandan Park District, and Mandan Public School District. The pool invests in securities authorized by State Statutes. At June 30, 2008 the school's portion of MBBM had a fair market value of \$27,816,948, the pool portfolio had average credit quality rating of Aaa and average days to maturity of 169 days.

### *Concentration of Credit Risk*

All investments are held at one issuer as part of the MBBM investment pool.

## **NOTE 3 - TAXES RECEIVABLE**

The taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

## **NOTES TO FINANCIAL STATEMENTS**

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Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

### **NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts on open account from other school districts and organizations for goods and services furnished by the School District.

### **NOTE 5 - INTERGOVERNMENTAL RECEIVABLE**

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

### **NOTE 6 - DUE FROM COUNTY TREASURER**

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

### **NOTE 7 - INVENTORIES**

Inventories consist of supplies and materials of the general fund and food and supplies for the food service fund. Reported inventories are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2008:

#### Governmental Activities

|   | Balance<br>July 1    | Increases           | Decreases        | Balance<br>June 30   |
|---|----------------------|---------------------|------------------|----------------------|
| Capital assets not being depreciated        |                      |                     |                  |                      |
| Land  | \$ 3,477,541         | \$ 24,891           | \$ 15,000        | \$ 3,487,432         |
| Construction in progress                    | 617,093              | 2,771,082           | -                | 3,388,175            |
| Total capital assets, not depreciated       | <u>4,094,634</u>     | <u>2,795,973</u>    | <u>15,000</u>    | <u>6,875,607</u>     |
| Capital assets, being depreciated           |                      |                     |                  |                      |
| Buildings                                   | 92,982,871           | 305,368             | -                | 93,288,239           |
| Improvements other than buildings           | 3,872,051            | 746,492             | 26,221           | 4,592,322            |
| Furniture and equipment                     | 1,208,638            | 233,490             | 215,645          | 1,226,483            |
| Vehicles and equipment                      | 1,488,652            | 194,199             | 41,097           | 1,641,754            |
| Total capital assets, being depreciated     | <u>99,552,212</u>    | <u>1,479,549</u>    | <u>282,963</u>   | <u>100,748,798</u>   |
| Less accumulated depreciation for           |                      |                     |                  |                      |
| Buildings                                   | 32,759,109           | 1,723,647           | -                | 34,482,756           |
| Improvements other than buildings           | 1,120,193            | 175,052             | 5,353            | 1,289,892            |
| Furniture and equipment                     | 905,458              | 122,311             | 215,645          | 812,124              |
| Vehicles and equipment                      | 853,918              | 89,080              | 22,043           | 920,955              |
| Total accumulated depreciation              | <u>35,638,678</u>    | <u>2,110,090</u>    | <u>243,041</u>   | <u>37,505,727</u>    |
| Total capital assets being depreciated, net | <u>63,913,534</u>    | <u>(630,541)</u>    | <u>39,922</u>    | <u>63,243,071</u>    |
| Governmental activities capital assets, net | <u>\$ 68,008,168</u> | <u>\$ 2,165,432</u> | <u>\$ 54,922</u> | <u>\$ 70,118,678</u> |

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

|  |                     |
|--|---------------------|
| Governmental activities                              |                     |
| Regular instruction                                  | \$ 1,676,571        |
| Special education                                    | 41,979              |
| Career and technical education                       | 15,094              |
| Administration                                       | 53,639              |
| School food services                                 | 41,616              |
| Operations and maintenance                           | 230,235             |
| Transportation                                       | 41,554              |
| Student activities                                   | 9,402               |
| Total depreciation expense - governmental activities | <u>\$ 2,110,090</u> |

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9 - ACCOUNTS, SALARIES AND BENEFITS PAYABLE

Accounts, salaries and benefits payable consists of amounts owed for goods and services received prior to and June 30 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, 2008:

#### General Fund

|                  |                     |
|------------------|---------------------|
| Accounts payable | \$ 2,649,374        |
| Salaries payable | 4,925,845           |
| Benefits payable | <u>1,989,179</u>    |
|                  | <u>\$ 9,564,398</u> |

#### Building Fund

|                  |                 |
|------------------|-----------------|
| Accounts payable | <u>\$ 4,059</u> |
|------------------|-----------------|

#### School Food Services Fund

|                  |                   |
|------------------|-------------------|
| Accounts payable | \$ 115,283        |
| Salaries payable | 14,804            |
| Benefits payable | <u>9,860</u>      |
|                  | <u>\$ 139,947</u> |

### NOTE 10 - LEASES

#### *Operating Lease(s)*

The School District entered into operating leases for office equipment, with monthly payments totaling \$12,510 per month. During the year the district paid \$146,716 on these leases. Lease obligations for the next five years are as follows, 2009: \$150,119, 2010: \$147,226, 2011: \$109,033, 2012: \$30,021, 2013: \$510.

#### *Capital Leases*

Bismarck Public School District No. 1 has entered into lease agreements for the purchase of office equipment and vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes.

## NOTES TO FINANCIAL STATEMENTS

The assets acquired through capital leases are as follows:

| <u>Asset</u>     | <u>General<br/>Fixed Assets</u> |
|------------------|---------------------------------|
| Office equipment | \$ 14,000                       |

As of June 30, 2008, accumulated depreciation totaled \$9,333 on this office equipment.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

| <u>Year Ending June 30</u>              | <u>Long-Term<br/>Debt</u> |
|---|---------------------------|
| 2009                                    | \$ 2,628                  |
| Less: amount representing interest      | 59                        |
| Present value of minimum lease payments | \$ 2,569                  |

### NOTE 11 - LONG-TERM DEBT

#### *Changes in Long-Term Liabilities*

During the year ended June 30, 2008, the following changes occurred in liabilities reported in long-term liabilities:

#### Governmental Activities

|                          | <u>Balance<br/>July 1</u> | <u>Increases</u>  | <u>Decreases</u>      | <u>Balance<br/>June 30</u> | <u>Due Within<br/>One Year</u> |
|--------------------------|---------------------------|-------------------|-----------------------|----------------------------|--------------------------------|
| Compensated absences *   | \$ 1,879,539              | \$ 368,918        | \$ -                  | \$ 2,248,457               | \$ 160,000                     |
| Capital leases           | 6,241                     | -                 | (3,672)               | 2,569                      | 2,569                          |
| General obligation bonds | 18,917,833                | -                 | (1,093,721)           | 17,824,112                 | 1,180,148                      |
| Total                    | <u>\$ 20,803,613</u>      | <u>\$ 368,918</u> | <u>\$ (1,097,393)</u> | <u>\$ 20,075,138</u>       | <u>\$ 1,342,717</u>            |

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

## NOTES TO FINANCIAL STATEMENTS

General obligation bond debt at June 30, 2008 consists of the following issues:

### General Obligation Bonds

|  |                             |
|--|-----------------------------|
| \$687,000 General Obligation Building Fund Levy Bond of 2003, due in annual installments of \$27,736 to \$45,204 through June 1, 2023, interest at 3.1%.                                   | \$ 552,367                  |
| \$5,405,000 General Obligation Refunding Bonds of 2002, Series B, due in annual installments of \$310,000 to \$605,000 through May 1, 2017, interest at 3.2% to 3.875%.                    | 4,215,000                   |
| \$8,960,000 General Obligation School Building Refunding Bonds of 2005, due in annual installments of \$380,000 to \$1,100,000 through May 1, 2019, interest at 3.25% to 4.5%.             | 8,160,000                   |
| \$1,650,000 General Obligation Building Fund Bonds of 2001, due in annual installments of \$73,280 to \$102,824 through June 1, 2021; interest at 2.45%.                                   | 1,160,772                   |
| \$3,100,000 General Obligation Refunding Bonds of 1999, refunding 1993 and 1992 bonds, due in annual installments of \$110,000 to \$325,000 through May 1, 2019; interest at 4.5% to 4.6%. | 2,430,000                   |
| \$2,500,000 General Obligation Bonds of 1997, Series B, due in annual installments of \$121,465 to \$162,605 through June 1, 2017; interest at 2.96%.                                      | <u>1,305,973</u>            |
| Total General Obligation Bonds Payable   | <u><u>\$ 17,824,112</u></u> |

Debt service requirements on general obligation bonds at June 30, 2008 are as follows:

### Governmental Activities

| <u>Year Ending June 30</u> | <u>General Obligation Bonds</u> |                            |
|----------------------------|---------------------------------|----------------------------|
|                            | <u>Principal</u>                | <u>Interest</u>            |
| 2009                       | \$ 1,180,148                    | \$ 666,603                 |
| 2010                       | 1,266,757                       | 626,443                    |
| 2011                       | 1,368,554                       | 580,522                    |
| 2012                       | 1,465,544                       | 534,042                    |
| 2013                       | 1,577,731                       | 480,565                    |
| 2014 - 2018                | 9,026,392                       | 1,410,090                  |
| 2019 - 2023                | <u>1,938,986</u>                | <u>94,022</u>              |
| Totals                     | <u><u>\$ 17,824,112</u></u>     | <u><u>\$ 4,392,287</u></u> |

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12 - DEFERRED REVENUES

Deferred revenues on the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

### NOTE 13 - 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 of two million dollars per occurrence for general liability and automobile. The district insures machinery and equipment with the Cincinnati Insurance Company. Coverage is limited to \$20,000,000. The district also insures the turf at the Community Bowl for \$700,000.

The Bismarck Public School District No. 1 also participates in the North Dakota Fire and Tornado Fund and the State Bonding fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

The School District has retained risk for employee health and dental insurance up to a maximum of \$75,000 per year per individual. They have purchased a stop loss policy for amounts in excess of 120% of expected claims.

Claims, which have been incurred at year-end but not reported, have been recorded as a claim reserve payable in the amount of \$745,000 for 2008. Blue Cross Blue Shield, the plan administrator, has calculated this reserve requirement. Changes in the claim reserve payable during the year were as follows:

## NOTES TO FINANCIAL STATEMENTS

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|   |                          |
|---|--------------------------|
| Balance, July 1, 2006                               | \$ 582,525               |
| Incurred claims including incurred but not reported | 8,974,924                |
| Less: claims paid                                   | <u>8,940,718</u>         |
| Balance, June 30, 2007                              | <u>616,731</u>           |
| Incurred claims including incurred but not reported | 9,823,176                |
| Less: claims paid                                   | <u>9,694,907</u>         |
| Balance, June 30, 2008                              | <u><u>\$ 745,000</u></u> |

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

### NOTE 14 - PENSION PLANS

#### *North Dakota Teacher's Fund for Retirement (TFFR)*

The Bismarck Public School District No. 1 contributes to the North Dakota Teacher's Fund for Retirement (TFFR); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its certified staff. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota 58507-7100.

Plan members are required to contribute 7.75% of their annual covered salary and the School District is required to contribute 7.75% of the teacher's salary. The contribution requirements of plan members and the School District are established and may be amended by the State legislature. The School District's contributions to TFFR for the fiscal years ending June 30, 2008, 2007 and 2006 were \$3,456,167, \$3,222,265 and \$3,084,002, respectively, equal to the required contributions for the year.

#### *North Dakota Public Employees' Retirement System*

The Bismarck Public School District No. 1 contributes to the North Dakota Public Employees' Retirement System (NDPERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its non certified staff. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota 58502-1214.

Plan members are required to contribute 4% of their annual covered salary. The School District is required to contribute 5.12% of the employees' salary which consists of 4.12% for employee retirement and 1% for the retiree health benefits fund. The contribution requirements of plan members and the School District are established and may be amended by the State legislature. The School District's contributions to NDPERS for the years ending June 30, 2008, 2007, and 2006 were \$715,989, \$674,198 and \$640,134, respectively, equal to the required contributions for the year.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 15 - COMMITMENTS

The Bismarck Public School District No. 1 had commitments for construction contracts totaling \$4,517,057 on June 30, 2008. Of this amount, \$3,173,179 had been paid and \$214,996 is retainage payable. The remaining \$1,128,882 of commitments will be paid as work is completed.

On June 30, 2006, the School District entered into a 50 year land lease agreement commencing on a date 90 days subsequent to the School District's notification to Bismarck State College to commence construction of new career and technical education classrooms, greenhouse and parking lot improvements, but no later than July 1, 2009. On or before September 1, 2020, the School District shall complete the improvements, expending approximately \$9,000,000.

### NOTE 16 - TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2008:

| <u>Fund</u>       | <u>Transfer In</u> | <u>Transfer Out</u> |                   |
|-------------------|--------------------|---------------------|-------------------|
| G.O Bonds of 1999 | \$ 76,560          | \$ -                | Budgeted transfer |
| Building Fund     | <u>-</u>           | <u>76,560</u>       | Budgeted transfer |
| Total transfers   | <u>\$ 76,560</u>   | <u>\$ 76,560</u>    |                   |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|  | Original<br>Budget  | Final<br>Budget     | Actual               | Variance With<br>Final Budget |
|--|---------------------|---------------------|----------------------|-------------------------------|
| <b>REVENUES</b>  |                     |                     |                      |                               |
| Local sources  | \$ 44,703,169       | \$ 44,820,653       | \$ 46,037,081        | \$ 1,216,428                  |
| State sources  | 39,408,257          | 38,582,101          | 38,441,690           | (140,411)                     |
| Federal sources  | 10,574,574          | 11,303,246          | 10,249,367           | (1,053,879)                   |
| Total revenues   | <u>94,686,000</u>   | <u>94,706,000</u>   | <u>94,728,138</u>    | <u>22,138</u>                 |
| <b>EXPENDITURES</b>  |                     |                     |                      |                               |
| Current  |                     |                     |                      |                               |
| Regular instruction  | 52,307,868          | 51,902,915          | 51,368,763           | 534,152                       |
| Special education  | 16,674,946          | 16,809,422          | 16,552,242           | 257,180                       |
| Career and technical<br>education                                | 3,804,258           | 3,732,740           | 3,745,508            | (12,768)                      |
| District wide services   | 3,150,042           | 3,799,519           | 3,451,706            | 347,813                       |
| Administration   | 2,251,552           | 2,288,076           | 2,187,080            | 100,996                       |
| Operations and maintenance                                       | 9,108,204           | 8,739,679           | 8,390,401            | 349,278                       |
| Transportation   | 1,948,854           | 1,951,111           | 1,955,291            | (4,180)                       |
| Co-curricular activities   | 2,702,938           | 2,704,120           | 2,653,809            | 50,311                        |
| Grant reserves   | 1,075,000           | 678,080             | -                    | 678,080                       |
| Capital outlay   | 4,386,338           | 4,804,338           | 4,981,023            | (176,685)                     |
| Total expenditures   | <u>97,410,000</u>   | <u>97,410,000</u>   | <u>95,285,823</u>    | <u>2,124,177</u>              |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER<br/>EXPENDITURES</b> | <u>(2,724,000)</u>  | <u>(2,704,000)</u>  | <u>(557,685)</u>     | <u>2,146,315</u>              |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                        |                     |                     |                      |                               |
| Sale of assets   | 59,000              | 59,000              | 69,576               | 10,576                        |
| Transfers in   | 20,000              | -                   | -                    | -                             |
| Total other financing<br>sources and uses                        | <u>79,000</u>       | <u>59,000</u>       | <u>69,576</u>        | <u>10,576</u>                 |
| <b>NET CHANGE IN FUND<br/>BALANCES</b>                           | (2,645,000)         | (2,645,000)         | (488,109)            | 2,156,891                     |
| FUND BALANCE - JULY 1  | <u>12,385,945</u>   | <u>12,385,945</u>   | <u>12,385,945</u>    | <u>-</u>                      |
| FUND BALANCE - JUNE 30   | <u>\$ 9,740,945</u> | <u>\$ 9,740,945</u> | <u>\$ 11,897,836</u> | <u>\$ 2,156,891</u>           |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2008**

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**NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

The Board of Education adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund, special revenue funds, debt service funds, and capital project funds.

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

- The annual budget must be prepared and School District taxes must be levied on or before the 15<sup>th</sup> day of August of each year.
- The taxes levied must be certified to the county auditor by October 10<sup>th</sup>.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for 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.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**COMBINING BALANCE SHEET – TOTAL NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

|   | Special<br>Revenue<br>Fund | Debt<br>Service<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|----------------------------|--------------------------|--|
| <b>ASSETS</b>                           |                            |                          |  |
| Cash                                    | \$ 81,633                  | \$ 15,317                | \$ 96,950                                  |
| Investments                             | 951,724                    | 1,285,864                | 2,237,588                                  |
| Taxes receivable                        | -                          | 80,824                   | 80,824                                     |
| Due from county treasurer               | -                          | 7,473                    | 7,473                                      |
| Intergovernmental receivable            | 14,694                     | -                        | 14,694                                     |
| Inventories                             | 120,969                    | -                        | 120,969                                    |
|   | <u>1,169,020</u>           | <u>1,389,478</u>         | <u>2,558,498</u>                           |
| <b>LIABILITIES AND FUND BALANCES</b>    |                            |                          |  |
| <b>LIABILITIES</b>                      |                            |                          |  |
| Accounts, salaries and benefits payable | \$ 139,947                 | \$ -                     | \$ 139,947                                 |
| Deferred revenue                        | -                          | 80,824                   | 80,824                                     |
| Total liabilities                       | <u>139,947</u>             | <u>80,824</u>            | <u>220,771</u>                             |
| <b>FUND BALANCES</b>                    |                            |                          |  |
| Reserved for inventories                | 120,969                    | -                        | 120,969                                    |
| Unreserved                              | 908,104                    | 1,308,654                | 2,216,758                                  |
| Total fund balances                     | <u>1,029,073</u>           | <u>1,308,654</u>         | <u>2,337,727</u>                           |
| Total liabilities and fund balances     | <u>\$ 1,169,020</u>        | <u>\$ 1,389,478</u>      | <u>\$ 2,558,498</u>                        |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**COMBINING BALANCE SHEET – NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2008**

|                                      | G. O.<br>Bonds 1997<br>Series B | G.O.<br>Bonds 2002<br>Series B | G.O. School<br>Ref.<br>Bonds of<br>2005 | G.O<br>Bonds of<br>1999 | Total Debt<br>Service<br>Funds |
|--------------------------------------|---------------------------------|--------------------------------|---|-------------------------|--------------------------------|
| <b>ASSETS</b>                        |                                 |                                |   |                         |                                |
| Cash                                 | \$ 1,568                        | \$ 5,023                       | \$ 6,798                                | \$ 1,928                | \$ 15,317                      |
| Investments                          | 156,174                         | 598,656                        | 244,391                                 | 286,643                 | 1,285,864                      |
| Taxes receivable                     | 8,707                           | 24,738                         | 35,173                                  | 12,206                  | 80,824                         |
| Due from county treasurer            | 804                             | 2,282                          | 3,186                                   | 1,201                   | 7,473                          |
| Total assets                         | <u>\$ 167,253</u>               | <u>\$ 630,699</u>              | <u>\$ 289,548</u>                       | <u>\$ 301,978</u>       | <u>\$ 1,389,478</u>            |
| <b>LIABILITIES AND FUND BALANCES</b> |                                 |                                |   |                         |                                |
| <b>Liabilities</b>                   |                                 |                                |   |                         |                                |
| Deferred revenue                     | <u>\$ 8,707</u>                 | <u>\$ 24,738</u>               | <u>\$ 35,173</u>                        | <u>\$ 12,206</u>        | <u>\$ 80,824</u>               |
| <b>Fund balances</b>                 |                                 |                                |   |                         |                                |
| Reserved for debt service            | <u>158,546</u>                  | <u>605,961</u>                 | <u>254,375</u>                          | <u>289,772</u>          | <u>1,308,654</u>               |
| Total liabilities and fund balances  | <u>\$ 167,253</u>               | <u>\$ 630,699</u>              | <u>\$ 289,548</u>                       | <u>\$ 301,978</u>       | <u>\$ 1,389,478</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, 2008**

|  | Special<br>Revenue<br>Fund | Debt<br>Service<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|----------------------------|--------------------------|--|
| <b>REVENUES</b>                                      |                            |                          |  |
| Local sources  | \$ 2,741,673               | \$ 1,721,862             | \$ 4,463,535                               |
| State sources  | 50,734                     | -                        | 50,734                                     |
| Federal sources                                      | 1,166,326                  | -                        | 1,166,326                                  |
| Total revenues                                       | <u>3,958,733</u>           | <u>1,721,862</u>         | <u>5,680,595</u>                           |
| <b>EXPENDITURES</b>                                  |                            |                          |  |
| Current  |                            |                          |  |
| School food services                                 | 3,981,466                  | -                        | 3,981,466                                  |
| Capital outlay                                       | 54,259                     | -                        | 54,259                                     |
| Debt service   |                            |                          |  |
| Principal  | -                          | 990,060                  | 990,060                                    |
| Interest   | -                          | 655,405                  | 655,405                                    |
| Service charges                                      | -                          | 2,461                    | 2,461                                      |
| Total expenditures                                   | <u>4,035,725</u>           | <u>1,647,926</u>         | <u>5,683,651</u>                           |
| Excess (deficiency) of revenues<br>over expenditures | <u>(76,992)</u>            | <u>73,936</u>            | <u>(3,056)</u>                             |
| <b>OTHER FINANCING</b>                               |                            |                          |  |
| <b>SOURCES</b>                                       |                            |                          |  |
| Sale of assets                                       | 2,760                      | -                        | 2,760                                      |
| Transfers in   | -                          | 76,560                   | 76,560                                     |
| Total other financing<br>sources                     | <u>2,760</u>               | <u>76,560</u>            | <u>79,320</u>                              |
| Net change in fund balances                          | <u>(74,232)</u>            | <u>150,496</u>           | <u>76,264</u>                              |
| Fund balance - July 1                                | <u>1,103,305</u>           | <u>1,158,158</u>         | <u>2,261,463</u>                           |
| Fund balance - June 30                               | <u>\$ 1,029,073</u>        | <u>\$ 1,308,654</u>      | <u>\$ 2,337,727</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, 2008**

|  | G. O.<br>Bonds 1997<br>Series B | G.O.<br>Bonds 2002<br>Series B | G.O School<br>Ref.<br>Bonds of<br>2005 | G.O.<br>Bonds of<br>1999 | Total<br>Nonmajor<br>Debt Service<br>Funds |
|--|---------------------------------|--------------------------------|--|--------------------------|--|
| <b>REVENUES</b>  |                                 |                                |  |                          |  |
| Local sources  | \$ 187,513                      | \$ 539,283                     | \$ 806,752                             | \$ 188,314               | \$ 1,721,862                               |
| <b>EXPENDITURES</b>  |                                 |                                |  |                          |  |
| Debt service   |                                 |                                |  |                          |  |
| Principal  | 125,060                         | 325,000                        | 420,000                                | 120,000                  | 990,060                                    |
| Interest   | 42,358                          | 159,499                        | 338,473                                | 115,075                  | 655,405                                    |
| Service charges  | 200                             | 825                            | 833                                    | 603                      | 2,461                                      |
| Total expenditures   | <u>167,618</u>                  | <u>485,324</u>                 | <u>759,306</u>                         | <u>235,678</u>           | <u>1,647,926</u>                           |
| <b>EXCESS (DEFICIENCY)<br/>OF REVENUES OVER<br/>EXPENDITURES</b> | <u>19,895</u>                   | <u>53,959</u>                  | <u>47,446</u>                          | <u>(47,364)</u>          | <u>73,936</u>                              |
| <b>OTHER FINANCING<br/>SOURCES</b>                               |                                 |                                |  |                          |  |
| Transfers in   | -                               | -                              | -                                      | 76,560                   | 76,560                                     |
| Transfers out  | -                               | -                              | -                                      | -                        | -  |
| Total other financing<br>sources                                 | <u>-</u>                        | <u>-</u>                       | <u>-</u>                               | <u>76,560</u>            | <u>76,560</u>                              |
| <b>NET CHANGE IN FUND<br/>BALANCES</b>                           | 19,895                          | 53,959                         | 47,446                                 | 29,196                   | 150,496                                    |
| <b>FUND BALANCE -<br/>JULY 1</b>                                 | <u>138,651</u>                  | <u>552,002</u>                 | <u>206,929</u>                         | <u>260,576</u>           | <u>1,158,158</u>                           |
| <b>FUND BALANCE -<br/>JUNE 30</b>                                | <u>\$ 158,546</u>               | <u>\$ 605,961</u>              | <u>\$ 254,375</u>                      | <u>\$ 289,772</u>        | <u>\$ 1,308,654</u>                        |

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

| <u>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Grantor's<br/>Number</u> | <u>Expenditures</u> |
|---|------------------------------------|--|---------------------|
| <u>US DEPARTMENT OF INTERIOR</u>                                    |                                    |  |                     |
| Direct Assistance   |                                    |  |                     |
| Johnson O'Malley  | 15.130                             | None   | \$ 18,304           |
| <u>US DEPARTMENT OF AGRICULTURE</u>                                 |                                    |  |                     |
| Passed through the State Department of Public Instruction           |                                    |  |                     |
| National School Lunch Program                                       | 10.555                             | 1006   | 952,924             |
| School Breakfast Program  | 10.553                             | 1006   | 166,472             |
| National School Milk  | 10.556                             | 1006   | 98,261              |
| Summer Food Service Program for Children                            | 10.559                             | 1008   | 24,040              |
| Child Nutrition Cluster   |                                    |  | <u>1,241,697</u>    |
| Team Nutrition Grants   | 10.574                             | 1011   | 3,000               |
| Non Monetary Assistance   |                                    |  |                     |
| Food distribution   | 10.567                             | 1014   | 166,406             |
| Total Department of Agriculture                                     |                                    |  | <u>1,411,103</u>    |
| <u>DEPARTMENT OF LABOR</u>  |                                    |  |                     |
| Passed through the State Department of Public Instruction           |                                    |  |                     |
| WIA Incentive Grant   | 17.258                             |  | <u>14,603</u>       |
| <u>NATIONAL SCIENCE FOUNDATION</u>                                  |                                    |  |                     |
| Direct assistance   |                                    |  |                     |
| Engineering technology  | 47.041                             |  | <u>51,783</u>       |
| <u>U.S. DEPARTMENT OF ENERGY</u>                                    |                                    |  |                     |
| Passed through the State Department of Commerce                     |                                    |  |                     |
| State Energy Program  | 81.041                             |  | 2,163               |
| State Energy Program Special Projects                               | 81.119                             |  | 19,776              |
| Total Department of Energy  |                                    |  | <u>21,939</u>       |
| <u>U.S. DEPARTMENT OF EDUCATION</u>                                 |                                    |  |                     |
| Direct assistance   |                                    |  |                     |
| Indian education - grants to local education associations           | 84.060A                            | None   | <u>108,841</u>      |

(continued on next page)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – page 2**

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title          | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Expenditures               |
|---|---------------------------|-------------------------------------|----------------------------|
| Passed through the State Department of Public Instruction           |                           |                                     |                            |
| Adult education   | 84.002                    | 1048                                | 225,230                    |
| Title I - Grants to LEAs  | 84.010                    | 1017 & 1018                         | 2,198,262                  |
| Title I - Neglected and Delinquent                                  | 84.013                    | 1018                                | 138,996                    |
| IDEA - Grants for Education Children with<br>Disabilities           | 84.027                    | 1024                                | 2,303,294                  |
| IDEA - Preschool<br>Special Education Cluster                       | 84.173                    | 1026                                | <u>56,187</u><br>2,359,481 |
| Drug and violence prevention  | 84.186                    | 1050                                | 110,054                    |
| Homeless children and youth   | 84.196                    | 1022                                | 40,650                     |
| Twenty-first Century Community<br>Learning Centers                  | 84.287                    | 1066                                | 345,674                    |
| Title VI, Innovation Education Program<br>Strategies                | 84.298                    | 1021                                | 45,603                     |
| Education Technology State Grants                                   | 84.318                    | 1004                                | 123,009                    |
| Comprehensive School Reform Demonstration                           | 84.332                    | 1035                                |                            |
| Title I Program Improvement   | 84.348                    |                                     |                            |
| Reading First State Grants  | 84.357A                   | 1025                                |                            |
| English Language Acquisition Grants                                 | 84.365A                   | 1043                                | 230,480                    |
| ESEA/Improve Teachers   | 84.367A                   | 1046                                | 1,082,664                  |
| Passed through the State Board of Career and<br>Technical Education |                           |                                     |                            |
| Vocational Ed - Carl Perkins  | 84.048                    | None                                | 196,403                    |
| Passed through State Department of Human Services                   |                           |                                     |                            |
| Early Intervention  | 84.181                    | -                                   | <u>1,225,105</u>           |
| Total Department of Education                                       |                           |                                     | <u>8,430,452</u>           |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – page 3**

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Expenditures  |
|--|---------------------------|-------------------------------------|---------------|
| <u>U.S. DEPARTMENT OF HUMAN SERVICES</u>   |                           |                                     |               |
| Direct Assistance<br>Headstart   | 93.600                    | None                                | 1,409,791     |
| Passed through State Department of Human Services<br>Cooperative Agreements to Support Comprehensive<br>School Health Programs to Prevent the Spread of<br>HIV and Other Important Health Problems | 93.938                    | 1030                                | 7,000         |
| Passed through State Department of Human Services<br>Medical Assistance Program  | 93.778                    | None                                | 309,892       |
| Total U.S. Department of Health and Human<br>Services  |                           |                                     | 1,726,683     |
| Total expenditures of federal awards   |                           |                                     | \$ 11,674,867 |

**NOTE 1 BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards represents amounts expended from federal programs during the year ended June 30, 2008 based on the modified accrual basis of accounting. 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.



**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***

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bismarck Public School District No. 1, Bismarck, North Dakota as of and for the year ended June 30, 2008, which collectively comprise the Bismarck Public School District No. 1's basic financial statements and have issued our report thereon dated January 15, 2009. 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.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Bismarck Public School District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bismarck Public School District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bismarck Public School District No. 1's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as deficiency 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### *Compliance and Other Matters*

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

Bismarck Public School District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Bismarck Public School District No. 1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Bismarck Public School District No. 1, the School Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Erde Bailly LLP

Bismarck, North Dakota  
January 15, 2009



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

*Compliance*

We have audited the compliance of the Bismarck Public School District No. 1, Bismarck, North Dakota with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Bismarck Public School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Bismarck Public School District No. 1's management. Our responsibility is to express an opinion on the Bismarck Public School District No. 1's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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. Our audit does not provide a legal determination on the Bismarck Public School District No. 1's compliance with those requirements.

In our opinion, the Bismarck Public School District No. 1, Bismarck, North Dakota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### *Internal Control Over Compliance*

The management of the Bismarck Public School District No. 1, Bismarck, North Dakota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Bismarck Public School District No. 1's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of the Bismarck Public School District No. 1, the School Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota  
January 15, 2009

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**FINDINGS - NONE**

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion of the financial statements of the Bismarck Public School District No. 1.
2. One significant deficiency disclosed during the audit of the financial statements was reported in the 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. We did not consider the significant deficiency to be a material weakness.
3. No instances of noncompliance material to the financial statements of Bismarck Public School District No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies are reported relative to the major federal award programs for Bismarck Public School District No. 1.
5. The auditor's report on compliance for the major federal award programs for Bismarck Public School District No. 1 expresses an unqualified opinion on all major Federal award programs.
6. The audit disclosed no findings required to be reported under Section 510(a) of OMB Circular A-133.
7. The major programs were ESEA/Improve Teachers, CFDA #84.367A and Title I – Grants to LEAs, CFDA #84.010.
8. The threshold for distinguishing a Type A program was \$350,246.
9. Bismarck Public School District was determined to be a low-risk auditee for the year ended June 30, 2008.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

08-1 Preparation of Financial Statements

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements.

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

Cause – The control deficiency could result in a misstatement to the presentation of the financial statements.

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

Response – Previous to the release of SAS 112, it was the practice of the Bismarck School District to rely on its independent auditors to prepare the District's official financial statements as part of the annual audit. In light of the new accounting standard, the District will strive to develop the expertise required to prepare the financial statements and accompanying notes to the financial statements.

**C. FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None