

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
ROSTER OF SCHOOL OFFICIALS  
JUNE 30, 2015**

Lawrence King	President
Scott Halvorson	Vice-President
Heide Delorme	Board Member
Matt Sagsveen	Board Member
Karl Lembke	Board Member
Tamara Uselman	Superintendent
Dr. Fran Rodenburg	Assistant Superintendent
Dr. Ben Johnson	Assistant Superintendent
Darin Scherr	Business and Operations Manager



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Bismarck Public School District No. 1's basic financial statements as listed in the table of contents

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 23 to the financial statements, Bismarck Public School District No. 1 adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 23 to the financial statements, the District has retroactively restated the previously reported Net Position in accordance with this statement.

Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

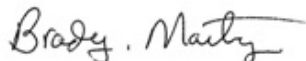
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bismarck Public School District No. 1's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule

of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of Bismarck Public School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bismarck Public School District No. 1's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.**

Bismarck, North Dakota

December 7, 2015

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2015**

This Management's Discussion and Analysis (MD&A) of Bismarck Public District No. 1's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015, with comparative data for the fiscal year ended June 30, 2014.

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 2014-15 are as follows:

- Net position of the District increased \$9,781,921 as a result of the current year's operations.
- Governmental net position totaled (\$7,949,748).
- Total revenues from all sources were \$159,782,047 and total expenditures were \$150,000,126.
- The District's general fund had \$140,871,488 in total revenues and \$143,019,784 in expenditures resulting in an excess of expenditures over revenues of \$2,148,296 for the year ended June 30, 2015.
- The unassigned general fund balance was \$16,590,322 as of June 30, 2015. This balance represents 11.6% of total general fund expenditures for the year. The unassigned general fund balance decreased by \$2,148,296 from July 1, 2014.

**Using this Annual Report**

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Bismarck Public District No. 1 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
JUNE 30, 2015**

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2015?". The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

**Reporting the District's Most Significant Funds**

*Balance Sheet - Governmental Funds*

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, 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."



**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
JUNE 30, 2015**

**Financial Analysis of the District as a Whole**

Table 1 provides a summary of the District's net position as of June 30, 2015, with comparative data for the fiscal year ended June 30, 2014.

As indicated in the financial highlights, the District's net position increased by \$9,781,921 for the year ended June 30, 2015. Net position may serve over time as a useful indicator of the District's financial position.

The District's net positions are segregated into three separate categories. Net position invested in Capital Assets (net of related debt) increased \$46,151,289. It should be noted that these assets are not available for future spending. Restricted net position decreased \$34,199,598. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position decreased \$133,708,783, which includes a prior period adjustment of \$131,539,013 to record the pension expense and liability as required by GASB Statement No. 68. The unrestricted net position is available to meet the District's ongoing obligations.

**Table I  
Net Position**

	<u>6/30/15</u>	<u>6/30/14*</u>
<b>ASSETS</b>		
Current assets (exc. Investment with fiscal agent)	54,926,401	\$ 92,041,481
Capital assets (net of accumulated depreciation)	181,804,619	141,213,435
Total assets	<u>236,731,020</u>	<u>233,254,916</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>11,342,975</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities (exc. bonds payable, capital lease payable and compensated absences)	15,660,836	14,534,465
Bonds payable	88,983,977	94,508,812
Note payable	6,879,531	7,216,443
Net pension liability	125,764,984	-
Long-term liabilities (exc. bonds and note payable and net pension liability)	3,283,939	3,187,852
Total liabilities	<u>240,573,267</u>	<u>119,447,572</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>15,450,476</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	92,783,308	46,632,019
Restricted for debt service, capital projects and self funded health insurance	18,832,260	53,031,858
Unrestricted	<u>(119,565,316)</u>	<u>14,143,467</u>
<b>TOTAL NET POSITION</b>	<u>\$ (7,949,748)</u>	<u>\$ 113,807,344</u>

\*The District implemented the new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires governmental agencies to report their proportionate share of pension expense and liability. This statement was implemented into the fiscal year 2015 financial statements. Prior year financial reports were not restated, as detailed information is not available for prior years.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
JUNE 30, 2015**

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015.

**Table II  
Changes in Net Position**

	<u>2014-2015</u>	<u>2013-2014*</u>
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 5,321,357	\$ 5,294,148
Operating grants and contributions	13,966,618	13,156,237
General revenues		
Property taxes	37,474,331	32,715,566
State aid - unrestricted	102,216,532	97,677,133
Interest earnings and miscellaneous revenue	803,209	2,472,950
Total revenues	<u>\$ 159,782,047</u>	<u>\$ 151,316,034</u>
<b>EXPENSES</b>		
Regular instruction	\$ 81,546,393	\$ 81,611,722
Special education	26,470,453	24,425,450
Career and technical education	6,224,015	6,129,520
District wide services	7,681,216	7,183,245
School food services	6,052,490	5,861,260
Operations and maintenance	10,955,675	10,025,464
Student transportation	3,294,759	2,989,671
Co-curricular activities	4,664,268	4,336,886
Other	-	7,200
Debt service	3,110,857	2,347,269
Total expenses	<u>\$ 150,000,126</u>	<u>\$ 144,917,687</u>

\*The District implemented the new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires governmental agencies to report their proportionate share of pension expense and liability. This statement was implemented into the fiscal year 2015 financial statements. Prior year financial reports were not restated, as detailed information is not available for prior years.

Unrestricted state aid constituted 64%, property taxes 23%, operating grants and contributions 9%, and charges for services 3% of the total revenues of governmental activities of the District for fiscal year 2015.

Regular instruction comprised 54%, special education 18%, and career and technical education 4% of total expenditures for governmental activities for fiscal year 2015.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
JUNE 30, 2015**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

**Table III  
Total and Net Cost of Services**

	Year Ended 6-30-15		Year Ended 6-30-14*	
	Total Cost	Net Cost	Total Cost	Net Cost
Regular instruction	\$ 81,546,393	\$ 78,079,236	\$ 81,611,722	\$ 77,856,984
Special education	26,470,453	19,559,433	24,425,450	17,972,591
Career and technical education	6,224,015	5,468,565	6,129,520	5,467,318
District wide services	7,681,216	6,240,821	7,183,245	5,894,071
School food services	6,052,490	131,111	5,861,260	258,889
Operations and maintenance	10,955,675	10,955,675	10,025,464	10,025,464
Student transportation	3,294,759	3,294,759	2,989,671	2,989,671
Co-curricular activities	4,664,268	4,089,363	4,336,886	3,818,994
Other	-	(217,669)	7,200	(163,949)
Debt service	3,110,857	3,110,857	2,347,269	2,347,269
	<u>\$ 150,000,126</u>	<u>\$ 130,712,151</u>	<u>\$ 144,917,687</u>	<u>\$ 126,467,302</u>
Total expenses	<u>\$ 150,000,126</u>	<u>\$ 130,712,151</u>	<u>\$ 144,917,687</u>	<u>\$ 126,467,302</u>

\*The District implemented the new GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires governmental agencies to report their proportionate share of pension expense and liability. This statement was implemented into the fiscal year 2015 financial statements. Prior year financial reports were not restated, as detailed information is not available for prior years.

**Financial Analysis of the District's Governmental Funds**

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's general fund had total revenues of \$140,871,488 and total expenditures of \$144,516,293 for the year ended June 30, 2015. Total governmental funds had total revenues of \$159,826,865 and expenditures of \$201,853,851 for the year ended June 30, 2015.

**General Fund Budgeting Highlights**

Actual revenues for year ended June 30, 2015 were \$77,121 less than the final budget. Revenue from state sources was \$537,891 less than budgeted and revenue from local sources was \$1,282,465 more than budgeted. Revenue from federal sources was \$821,695 less than budgeted.

Actual expenditures for the year ended June 30, 2015 were under budget by \$2,073,316. Expenditures for regular instruction were \$2,730,729 less than budgeted and expenditures for special education were \$473,527 under budget.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
JUNE 30, 2015**

**Capital Assets**

As of June 30, 2015, the District had \$181,804,619 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2015 and 2014:

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

	6/30/15	6/30/14
CAPITAL ASSETS		
Land	\$ 10,393,002	\$ 6,683,567
Buildings	111,302,723	80,353,346
Furniture and equipment	749,930	760,320
Vehicles and equipment	1,588,528	1,590,160
Improvements other than buildings	4,753,004	4,458,968
Construction in progress	53,017,432	47,367,074
Total capital assets (net of depreciation)	\$ 181,804,619	\$ 141,213,435

Total capital assets (before depreciation) increased from \$194,281,253 to \$238,623,582 during fiscal year 2015. Accumulated depreciation increased by \$3,751,145 from \$53,067,818 to \$56,818,963.

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 10 of the financial statements.

**Debt Administration**

The District issued Building Fund Bonds in the amount of \$3,726,502 during the year, which includes a bond premium of \$6,502. As of June 30, 2015, the District had \$99,147,447 in long-term debt, of which \$88,035,580 was general obligation bonds. Principal payments of \$5,481,816 are due during the 2015-2016 fiscal year on general obligation bonds. See note 13 for additional information on debt.

**For the Future**

The Bismarck Public School District and the entire State of North Dakota have continued to experience strong economic growth, mainly due to oil production in the north-western part of the state. For fiscal year 2015, the District's taxable valuation was \$362,466,644, an increase of 14.1% from 2014. The District's taxable valuation is expected to increase by 12.7% for fiscal year 2016.

On September 18, 2012, district voters approved an \$86,500,000 bond issue to build two new elementary schools and a new high school by a margin of over 85%. Construction was completed on Lincoln Elementary School in time for classes to begin in January 2014. Liberty Elementary School in north Bismarck was completed in the fall of 2014. Legacy High School was completed in time for the start of the new school year in the fall of 2015. The district continues to grow and needs to address additional capacity issues due to an increase of over 361 students on the first day of the 2015-16 school year.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
JUNE 30, 2015**

The District has seventeen elementary schools for the 6,033 students who were enrolled in grades kindergarten through fifth on the first day of the 2015-16 school year. This was an increase of 142 elementary-aged students from the beginning of the 2014-15 school year.

The District's secondary students are enrolled in three middle schools covering grades 6-8, three high schools for freshmen through seniors and one alternative high school for students over the age of 16. Secondary enrollment is up 219 students for a total of 6,377 students.

**Contacting the District's Financial Management**

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

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

<b>ASSETS</b>	
Current assets	
Cash	\$ 29,080,032
Cash - restricted	12,458,414
Investments	7,744,271
Accounts receivable	293,846
Taxes receivable	930,788
Intergovernmental receivable	2,535,718
Due from county treasurer	1,800,977
Inventory	82,355
Total current assets	<u>54,926,401</u>
Capital assets	
Non-depreciable	
Land	10,393,002
Construction in process	53,017,432
Depreciable, net of accumulated depreciation	
Buildings	111,302,723
Furniture and equipment	749,930
Vehicles and equipment	1,588,528
Improvements other than buildings	4,753,004
Total capital assets, net of depreciation	<u>181,804,619</u>
<b>TOTAL ASSETS</b>	<u><b>236,731,020</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow - pension	<u>11,342,975</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts, salaries and benefits payable	13,096,887
Incurred but not reported claims	1,092,000
Interest payable	561,425
Unearned health insurance premiums	910,524
Long-term liabilities due within one year	
Bonds payable	5,534,833
Note payable	334,054
Capital lease payable	37,334
Compensated absences payable	330,000
Total current liabilities	<u>21,897,057</u>
Long-term liabilities	
Long-term liabilities due after one year	
Net pension liability	125,764,984
Bonds payable	83,449,144
Note payable	6,545,477
Compensated absences payable	2,916,605
Total long-term liabilities	<u>218,676,210</u>
<b>TOTAL LIABILITIES</b>	<u><b>240,573,267</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow - pension	<u>15,450,476</u>
<b>NET POSITION</b>	
Net investment in capital assets	92,783,308
Restricted	18,832,260
Unrestricted	<u>(119,565,316)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ (7,949,748)</b></u>

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Regular instruction	\$ 81,546,393	\$ 371,383	\$ 3,095,774	\$ (78,079,236)
Special education	26,470,453	498,183	6,412,837	(19,559,433)
Career and technical education	6,224,015	-	755,450	(5,468,565)
District wide services	7,681,216	77,418	1,362,977	(6,240,821)
School food services	6,052,490	3,799,468	2,121,911	(131,111)
Operations and maintenance	10,955,675	-	-	(10,955,675)
Transportation	3,294,759	-	-	(3,294,759)
Co-curricular activities	4,664,268	574,905	-	(4,089,363)
Other	-	-	217,669	217,669
Interest - unallocated	3,046,393	-	-	(3,046,393)
Bond service charges and costs	64,464	-	-	(64,464)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 150,000,126</b>	<b>\$ 5,321,357</b>	<b>\$ 13,966,618</b>	<b>(130,712,151)</b>

**GENERAL REVENUES**

Taxes	
Property taxes, levied for general purposes	25,057,115
Property taxes, levied for building purposes	3,605,519
Property taxes, levied for debt services	8,811,697
Unrestricted state aid	102,216,532
Unrestricted investment earnings	105,252
Miscellaneous revenue	697,957
<b>TOTAL GENERAL REVENUES</b>	<b>140,494,072</b>
Change in net position	9,781,921
Total net position, beginning of year, as previously reported	113,807,344
GASB 68 and 71 adjustment	(131,539,013)
Total net position, beginning of year, restated	(17,731,669)
Net position - ending	\$ (7,949,748)

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 19,764,666	\$ 3,744,325	\$ 1,526,774	\$ 25,035,765
Cash - restricted	-	12,458,414	-	12,458,414
Investments	3,949,095	5,560	2,386,817	6,341,472
Accounts receivable	293,846	-	-	293,846
Taxes receivable	633,306	88,949	208,534	930,789
Intergovernmental receivable	2,364,454	-	171,264	2,535,718
Due from county treasurer	1,209,881	173,161	417,935	1,800,977
Due from other funds	475,926	-	1,218,707	1,694,633
Inventory	-	-	82,355	82,355
<b>TOTAL ASSETS</b>	<u>\$ 28,691,174</u>	<u>\$ 16,470,409</u>	<u>\$ 6,012,386</u>	<u>\$ 51,173,969</u>
<b>LIABILITIES</b>				
Accounts, salaries and benefits payable	\$ 10,024,315	\$ 2,830,418	\$ 242,154	\$ 13,096,887
Due to other funds	1,443,221	1,133,323	561,311	3,137,855
<b>TOTAL LIABILITIES</b>	11,467,536	3,963,741	803,465	16,234,742
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Delinquent taxes	633,306	88,949	208,534	930,789
<b>FUND BALANCES</b>				
Nonspendable	-	-	82,355	82,355
Restricted	-	12,417,719	4,918,032	17,335,751
Unassigned	16,590,332	-	-	16,590,332
<b>TOTAL FUND BALANCES</b>	<u>16,590,332</u>	<u>12,417,719</u>	<u>5,000,387</u>	<u>34,008,438</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 28,691,174</u>	<u>\$ 16,470,409</u>	<u>\$ 6,012,386</u>	<u>\$ 51,173,969</u>



**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Total fund balances - governmental funds		\$ 34,008,438
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of capital assets	238,623,582	
Less accumulated depreciation	<u>(56,818,963)</u>	
Net capital assets		181,804,619
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		
		930,789
Deferred outflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		
		11,342,975
Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net position.		
Balances at June 30, 2015 are:		
Net pension liability	(125,764,984)	
Bonds payable	(88,983,977)	
Notes payable	(6,879,531)	
Capital lease payable	(37,334)	
Interest payable	(561,427)	
Compensated absences	<u>(3,246,605)</u>	
Total long-term liabilities		(225,473,858)
Deferred inflows relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore not reported in the governmental funds.		
		(15,450,476)
Internal service funds are used by the school to charge the costs of health insurance to departments. The assets and liabilities of internal service fund are included in the governmental activities in the statement of net position.		
		<u>4,887,765</u>
Total net position of governmental activities		<u><u>\$ (7,949,748)</u></u>

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local sources	\$ 28,123,877	\$ 3,607,235	\$ 12,567,131	\$ 44,298,243
State sources	102,239,032	-	537,573	102,776,605
Federal sources	10,508,579	-	1,952,033	12,460,612
Miscellaneous	-	-	291,405	291,405
<b>TOTAL REVENUES</b>	<b>140,871,488</b>	<b>3,607,235</b>	<b>15,348,142</b>	<b>159,826,865</b>
<b>EXPENDITURES</b>				
Current				
Regular instruction	79,533,522	-	-	79,533,522
Special education	26,422,201	-	-	26,422,201
Career and technical education	5,211,505	-	780,849	5,992,354
District wide services	7,446,801	-	-	7,446,801
School food services	-	-	5,887,103	5,887,103
Operations and maintenance	10,628,376	-	-	10,628,376
Transportation	3,271,286	-	-	3,271,286
Co-curricular activities	4,662,780	-	-	4,662,780
Debt Service				
Principal	372,182	124,333	9,075,341	9,571,856
Interest	242,451	27,615	2,933,977	3,204,043
Service charges	-	30,032	34,433	64,465
Capital outlay	5,228,680	39,791,644	148,740	45,169,064
<b>TOTAL EXPENDITURES</b>	<b>143,019,784</b>	<b>39,973,624</b>	<b>18,860,443</b>	<b>201,853,851</b>
Excess of revenues over (under) expenditures	(2,148,296)	(36,366,389)	(3,512,301)	(42,026,986)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt refunding	-	-	3,720,000	3,720,000
Proceeds from sale of capital asset	-	561,776	90	561,866
Premium on bonds issued	-	-	6,502	6,502
Transfers in	-	-	95,360	95,360
Transfers out	-	(95,360)	-	(95,360)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>466,416</b>	<b>3,821,952</b>	<b>4,288,368</b>
Net change in fund balances	(2,148,296)	(35,899,973)	309,651	(37,738,618)
Fund balances - beginning	18,738,628	48,317,692	4,690,736	71,747,056
Fund balances - ending	<u>\$ 16,590,332</u>	<u>\$ 12,417,719</u>	<u>\$ 5,000,387</u>	<u>\$ 34,008,438</u>

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds		\$ (37,738,618)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		
Current year capital outlay (over \$5,000)	44,342,329	
Current year depreciation expense	<u>(3,751,145)</u>	40,591,184
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of bonds payable as a liability.		
		(3,726,502)
Repayment of debt principal and capital lease payable is an expenditure in the governmental fund, but repayment reduces long-term liabilities in the statement of net position.		
		9,571,856
Repayment of bond premium payable is not recognized in the governmental funds, but reduces interest expense in the Statement of Activities.		
		51,663
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	(131,357)	
Net increase in interest payable	105,989	
Net decrease in net pension liability	<u>13,910,041</u>	13,884,673
Changes in deferred inflows and outflows relating to net pension liability		
		(12,243,513)
Some revenues reported on the Statement of Activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the net increase in taxes receivable.		
		(52,722)
Internal service funds are used by the school to charge the costs of health insurance to departments. The net revenue of activities of the internal service fund is reported with governmental activities.		
		<u>(556,100)</u>
Change in net position of governmental activities		<u>\$ 9,781,921</u>

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Internal Service Fund Insurance</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 4,044,267
Investments	1,402,800
Due from other funds	<u>1,443,222</u>
Total current assets	<u>6,890,289</u>
<b>LIABILITIES</b>	
Current liabilities	
Incurred but not reported claims	1,092,000
Unearned health insurance premiums	<u>910,524</u>
Total current liabilities	<u>2,002,524</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 4,887,765</u></u>

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Internal Service Funds Insurance</u>
Operating revenues	
Contributions to self-insurance district	\$ 15,187,819
Contributions to self-insurance cobra	367,576
Rebates	<u>222,457</u>
Total operating revenues	<u>15,777,852</u>
 Operating expenses	
Health insurance claims	<u>16,333,952</u>
Change in net position	<u>(556,100)</u>
Total net position - beginning of year	<u>5,443,865</u>
Total net position - end of year	<u><u>\$ 4,887,765</u></u>

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Internal Service Fund Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from district - current premiums	\$ 15,187,819
Received from COBRA premiums	367,576
Rebates received	222,457
Payments for health insurance claims	(15,484,199)
Net cash provided (used) by operating activities	293,653
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	293,653
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	3,750,614
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 4,044,267
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ (556,100)
Effect on cash flows due to changes in changes in assets and liabilities:	
Due to / from other funds	761,831
Incurred by not reported claims	(23,555)
Unearned health insurance premiums	111,477
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 293,653

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**JUNE 30, 2015**

	<u>TLC</u>	<u>Student Activities</u>	<u>MREC</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,749	\$ 483,395	\$ 602,212	\$ 1,087,356
Investments	40,000	461,044	50,000	551,044
Intergovernmental receivables	-	-	339,428	339,428
	<u>-</u>	<u>-</u>	<u>339,428</u>	<u>339,428</u>
<b>Total assets</b>	<b><u>\$ 41,749</u></b>	<b><u>\$ 944,439</u></b>	<b><u>\$ 991,640</u></b>	<b><u>\$ 1,977,828</u></b>
<b>LIABILITIES</b>				
Accounts, salaries and benefits payable	\$ -	\$ 138,969	\$ 47,784	\$ 186,753
Due to consortium participants	41,749	-	943,856	985,605
Due to student activities groups	-	805,470	-	805,470
	<u>-</u>	<u>805,470</u>	<u>-</u>	<u>805,470</u>
<b>Total liabilities</b>	<b><u>\$ 41,749</u></b>	<b><u>\$ 944,439</u></b>	<b><u>\$ 991,640</u></b>	<b><u>\$ 1,977,828</u></b>

See Notes to the Financial Statements

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

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

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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.



**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

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

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

Fund Financial Statements:

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

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

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

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

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

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

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

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

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

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

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

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

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

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

TLC – The Teacher Learning Center is managed by an independent board and is not under the control of the Bismarck School Board. The Bismarck School District serves as the fiscal agent for the TLC.

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

**Measurement Focus and Basis of Accounting**

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

Basis of Accounting

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

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

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

**Revenues-Exchange and Non-Exchange Transactions**

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

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

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

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

**Cash and Cash Equivalents**

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

**Investments**

Investments are recorded at fair value. North Dakota state statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, 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 of the type listed above, c) Certificates of Deposit fully insured by Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**Inventories**

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

**Capital Assets**

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

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

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

**Compensated Absences**

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

Compensation for unused sick leave will be granted to all administrators, teachers, non-certified professional staff, and hourly support staff if they have 10 or more years of service upon termination from the District. The severance payment is based on \$30.00 per day for administrators, \$25.00 per day for teachers and non-certified professional staff, and \$20.00 per day for hourly 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 position. Bond premiums and discounts are amortized over the life of the bond. Issuance costs are reported as expenditures.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

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

**Net Position**

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item reported on the statement of net position as deferred pension inflows, which represents the actuarial differences within the NDPERS and TFFR pension plans. See note 16 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. One of the items, unavailable revenue – delinquent taxes, is reported only in the governmental funds balance sheet. This amount, which is from delinquent property taxes, is deferred and recognized as an inflow of resources in the period that the amount become available. The other item is reported on the statement of net position as deferred pension outflows, which represents the actuarial differences within the NDPERS and TFFR pension plans as well as amounts paid to the plan after the measurement date. See notes 16 and 17 for further details.

**Fund Balance Classifications**

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

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

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

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

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

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

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

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

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

The school board has set a General Fund minimum fund balance target at 10% of expenditures and recurring transfers.

### **Interfund Transactions**

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

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

### **Pensions**

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

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**Delinquent Taxes**

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

**Expenses and Expenditures**

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

**Estimates**

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

As discussed in note 15, the District has established a self-funded health insurance plan. Because of the inherent uncertainties associated with estimating the accrued liability for claims, it is at least reasonably possible that the estimate used will change within the near term.

**Revenue Recognition - Property Taxes / Proprietary Fund**

As of June 30, 2015, taxes receivable consists of current and delinquent uncollected taxes for the past five years.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to other funds for health insurance premiums. Operating expenses for the internal service fund include the cost

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

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

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

**Custodial Credit Risk**

At year ended June 30, 2015, the District's carrying amount of deposits was as follows:

Governmental funds	\$ 37,494,179
Internal service fund	4,044,267
Agency funds	<u>1,087,356</u>
 Total deposits	 <u><u>\$ 42,625,802</u></u>

The bank balance of these deposits as of June 30, 2015 was \$55,471,173. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$750,000 is covered by FDIC (Federal Deposit Insurance Corporation), \$53,818,756 is collateralized with securities held by the pledging financial institutions' agent in the District's name and \$902,417 is uncollateralized and exposed to custodial credit risk.

**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.



**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

- 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 District 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, 2015 the school's portion of MBBM had a fair value of \$8,295,315.

At June 30, 2015, the following table shows the investments by investment type and maturity.

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-6 Years</u>
US Treasury bonds	\$ 4,300,389	\$ 547,075	\$ 3,753,314
Federal National Mortgage Association Agency bond	<u>3,425,999</u>	<u>489,423</u>	<u>2,936,576</u>
Total debt investments	7,726,388	<u>\$ 1,036,498</u>	<u>\$ 6,689,890</u>
Investments not subject to categorization:			
<u>Money market</u>	<u>17,883</u>		
Total investments	<u>\$ 7,744,271</u>		

**Credit Risk**

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District does not have an investment policy that specifically addresses credit risk. The following table represents the District's ratings as of June 30, 2015.

<u>S&amp;P Credit Rating</u>	<u>Total Fair Value</u>	<u>Government Bonds</u>
AAA	\$ 7,415,795	\$ 7,415,795
AA+	<u>310,593</u>	<u>310,593</u>
Total credit risk - debt securities	7,726,388	<u>\$ 7,726,388</u>
Investments not subject to categorization:		
<u>Money market</u>	<u>17,883</u>	
Total investments	<u>\$ 7,744,271</u>	

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 4 TAXES RECEIVABLE**

Taxes receivable consists of the following as of June 30, 2015:

<u>Property Tax Receivable:</u>	
General fund	\$ 633,306
Building fund	88,949
Other governmental funds	<u>208,534</u>
	<u>\$ 930,789</u>

**NOTE 5 ACCOUNTS RECEIVABLE**

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

**NOTE 6 INTERGOVERNMENTAL RECEIVABLE**

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

**NOTE 7 DUE FROM COUNTY TREASURER**

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

**NOTE 8 DUE TO/FROM OTHER FUNDS**

The due to and from other funds as of June 30, 2015 represent year end transfers. The transfers with the Internal Service Fund for Insurance are for the July, August and September health, dental and vision insurance premiums on teachers, non-certified professional staff and hourly support staff working less than 12 months. The transfers with the nonmajor governmental funds are for cash deficits. The amounts are as follows:

<u>Due From Fund</u>	<u>Due to Fund</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Proprietary Fund: Internal Service Funds Insurance</u>	
General Fund	\$ -	\$ -	\$ 1,443,222	\$ 1,443,222
Building Fund	244,605	888,717	-	1,133,322
Nonmajor governmental funds	<u>231,321</u>	<u>329,990</u>	-	<u>561,311</u>
	<u>\$ 475,926</u>	<u>\$ 1,218,707</u>	<u>\$ 1,443,222</u>	<u>\$ 3,137,855</u>

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 9 INVENTORIES**

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

**NOTE 10 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 6,683,566	\$ 3,709,436	\$ -	\$ 10,393,002
Construction in progress	47,367,075	38,803,988	33,153,631	53,017,432
Total capital assets, not depreciated	<u>54,050,641</u>	<u>42,513,424</u>	<u>33,153,631</u>	<u>63,410,434</u>
Capital assets, being depreciated				
Buildings	127,683,302	33,990,970	-	161,674,272
Improvements other than buildings	7,207,188	625,110	-	7,832,298
Furniture and equipment	2,440,797	157,262	-	2,598,059
Vehicles and equipment	2,899,325	209,194	-	3,108,519
Total capital assets, being depreciated	<u>140,230,612</u>	<u>34,982,536</u>	<u>-</u>	<u>175,213,148</u>
Less accumulated depreciation for				
Buildings	47,329,956	3,041,593	-	50,371,549
Improvements other than buildings	2,748,220	331,074	-	3,079,294
Furniture and equipment	1,642,585	167,652	-	1,810,237
Vehicles and equipment	1,347,057	210,826	-	1,557,883
Total accumulated depreciation	<u>53,067,818</u>	<u>3,751,145</u>	<u>-</u>	<u>56,818,963</u>
Total capital assets being depreciated, net	<u>87,162,794</u>	<u>31,231,391</u>	<u>-</u>	<u>118,394,185</u>
Governmental activities capital assets, net	<u>\$ 141,213,435</u>	<u>\$ 73,744,815</u>	<u>\$ 33,153,631</u>	<u>\$ 181,804,619</u>

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

Governmental activities	
Elementary Instruction Depreciation	\$ 1,374,851
Middle School Depreciation	781,625
Senior High Depreciation	562,905
Special Education Depreciation	48,253
Vocational Depreciation	290,974
District Wide Services Depreciation	84,424
Food Service Depreciation	37,214
Operations & Maintenance Depreciation	433,918
Transportation Depreciation	115,269
Student Activities Depreciation	21,712
Total depreciation expense - governmental activities	<u>\$ 3,751,145</u>

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

As of June 30, 2015, Equipment capitalized under a capital lease and the accumulated depreciation is as follows.

Capitalized leased equipment	\$ 103,750
Less accumulated depreciation	(83,000)
	\$ 20,750

**NOTE 11 ACCOUNTS, SALARIES AND BENEFITS PAYABLE**

Accounts, salaries and benefits payable consists of amounts owed for goods and services received prior to June 30, 2015 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, 2015:

General Fund:

Accounts payable	\$ 7,102,271
Salaries payable	2,616,859
Benefits payable	305,185
	10,024,315

School Food Services Fund:

Accounts payable	203,070
Salaries payable	8,142
Benefits payable	2,263
	213,475

MRACTC:

Accounts payable	22,652
Salaries payable	5,988
Benefits payable	39
	28,679

Building Fund:

Accounts payable	2,830,418
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Total accounts, salaries and benefits payable	\$ 13,096,887
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**NOTE 12 OPERATING LEASES**

The District entered into operating leases for office equipment, with monthly payments totaling \$6,895 per month. The leases end at various periods until 2019. During the year the District paid \$82,734 on these leases. Lease obligations for the next five years are as follows:

2016	\$ 76,916
2017	74,006
2018	43,005
2019	43,005
2020	-

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 13 LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

During the year ended June 30, 2015, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Compensated absences *	\$ 3,115,248	\$ 131,357	\$ -	\$ 3,246,605	\$ 330,000
Capital lease payable	72,603	-	(35,269)	37,334	37,334
Note payable	7,216,443	-	(336,912)	6,879,531	334,054
General obligation bonds	93,515,255	3,720,000	(9,199,675)	88,035,580	5,481,816
Bond premium	993,557	6,502	(51,662)	948,397	53,017
<b>Total</b>	<b>\$ 104,913,106</b>	<b>\$ 3,857,859</b>	<b>\$ (9,623,518)</b>	<b>\$ 99,147,447</b>	<b>\$ 6,236,221</b>

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

**Debt Outstanding**

The obligations under general obligations bonds and capital leases are as follows:

	Outstanding 6/30/15
<u>General Obligation Bonds</u>	
\$687,000 General Obligation Building Fund Levy Bond of 2003, due in annual installments of \$30,396 to \$45,204 through June 1, 2023, interest at 3.1%. Payments are to be made from the Building Fund.	\$ 325,778
\$1,650,000 General Obligation Building Fund Bonds of 2001, due in annual installments of \$78,789 to \$102,824 through June 1, 2021, interest at 2.45%. Payments are to be made from the Building Fund.	581,217
\$2,500,000 General Obligation Bonds of 1997, Series B, due in annual installments of \$136,497 to \$162,605 through June 1, 2017, interest at 2.96%. Payments are to be made from the Debt Service Fund.	320,536
\$5,570,000 General Obligation Refunding Bonds of 2009, due in annual installments of \$290,000 to \$775,000 through May 1, 2019, interest at 0.85% to 3.4%. Payments are to be made from the Debt Service Fund.	2,065,000
\$10,000,000 General Obligation Building Fund Bonds of 2012, due in annual installments of \$460,000 to \$640,000 through May 1, 2032, interest at 1.0% to 2.25%. Payments are to be made from the Debt Service Fund.	9,080,000

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

	<u>Outstanding 6/30/15</u>
\$61,500,000 General Obligation School Building Bonds of 2013, due in annual installments of \$1,455,000 to \$4,280,000 through May 1, 2033, interest at 1.5% to 4.125%. Payments are to be made from the Debt Service Fund. Includes premium of \$942,167.	\$ 58,477,167
\$15,000,000 General Obligation School Building Bonds of 2014, due in annual installments of \$591,951 to \$932,387 through June 1, 2034, interest at 2.42%. Payments are to be made from the Debt Service Fund.	14,408,049
\$3,720,000 General Obligation Refunding Bonds of 2015, due in annual installments of \$860,000 to \$1,010,000 through May 1, 2019, interest at 0.65% to 1.1%. Payments are to be made from the Debt Service Fund. Includes premium of \$6,231.	<u>3,726,230</u>
Total General Obligation Bonds Payable	<u><u>\$ 88,983,977</u></u>

Note Payable

\$7,216,443 Equipment / Lease Purchase Agreement of 2013, due in annual installments of \$144,517 to \$576,095 through June 1, 2028, interest at 2.21%. Payments are to be made from the General Fund. The entire balance is not associated with fixed assets.	<u><u>\$ 6,879,531</u></u>
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Capital Lease Payable

\$167,140 lease dated June 21, 2011 for the purchase of a copy machine. Due in monthly principal and interest installments of \$3,208 at 5.835% until June 2016. Payments are to be made from the General Fund.	<u><u>\$ 37,334</u></u>
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**Debt Service Requirements**

Annual requirements on long term debt at June 30, 2015 are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,481,816	\$ 2,716,910	\$ 334,054	\$ 152,038
2017	5,624,527	2,581,944	359,666	144,655
2018	5,055,402	2,447,917	386,526	136,706
2019	5,209,338	2,328,529	414,690	128,164
2020	3,993,741	2,204,056	444,211	119,000
2021-2025	21,080,165	9,347,022	2,715,585	433,570
2026-2030	24,406,158	5,691,502	2,224,799	106,404
2031-2035	17,184,432	1,277,900	-	-
Premium	948,398	(948,398)	-	-
Totals	<u><u>\$ 88,983,977</u></u>	<u><u>\$ 27,647,382</u></u>	<u><u>\$ 6,879,531</u></u>	<u><u>\$ 1,220,537</u></u>

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

Year Ending June 30	Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest
2016	\$ 37,334	\$ 1,163	\$ 5,853,204	\$ 2,870,111
2017	-	-	5,984,193	2,726,599
2018	-	-	5,441,928	2,584,623
2019	-	-	5,624,028	2,456,693
2020	-	-	4,437,952	2,323,056
2021-2025	-	-	23,795,750	9,780,592
2026-2030	-	-	26,630,957	5,797,906
2031-2035	-	-	17,184,432	1,277,900
Premium	-	-	948,398	(948,398)
Totals	<u>\$ 37,334</u>	<u>\$ 1,163</u>	<u>\$ 95,900,842</u>	<u>\$ 28,869,082</u>

**NOTE 14 FUND BALANCES**

At June 30, 2015, a summary of the governmental fund balance classifications are as follows:

	General Fund	Special Revenue Funds	Debt Service Fund	Building Fund	Total
Non-spendable:					
Inventories	\$ -	\$ 82,355	\$ -	\$ -	\$ 82,355
Restricted:					
Debt Service	-	-	3,486,020	-	3,486,020
Capital Projects	-	360,571	-	12,417,719	12,778,290
Food Service	-	718,962	-	-	718,962
Career and Technical Education	-	352,479	-	-	352,479
Unassigned:					
General Fund	16,590,332	-	-	-	16,590,332
	<u>\$ 16,590,332</u>	<u>\$ 1,514,367</u>	<u>\$ 3,486,020</u>	<u>\$ 12,417,719</u>	<u>\$ 34,008,438</u>

Restricted Net Position Reconciliation:

	Restricted Net Position
Debt Service Fund	\$ 3,486,020
Building Fund	12,417,719
Food Service	718,962
Career and Technical Education	352,479
Carley Estate	360,571
	<u>\$ 17,335,751</u>

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 15 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Bismarck Public School District pays an annual premium to NDRIF for its general liability and automobile insurance coverage. The coverage by NDRIF is limited to losses on two million dollars per occurrence for general liability and automobile. The district insures machinery and equipment with the Cincinnati Insurance Company. Coverage is limited to \$40,000,000.

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

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

The District has retained risk for employee health and dental insurance up to a maximum of \$150,000 per year per individual. They have purchased a stop loss policy for amounts in excess of 120% of expected claims.

Claims, which have been incurred at year-end but not reported, have been recorded as a claim reserve payable in the amount of \$1,092,000 for 2015. Blue Cross Blue Shield, the plan administrator, has calculated this reserve requirement. Changes in the claim reserve payable during the year were as follows:

Balance, July 1, 2014	\$ 1,115,555
Incurred claims including incurred but not reported	16,333,952
Less: claims paid	<u>(16,357,507)</u>
Balance, June 30, 2015	<u>\$ 1,092,000</u>

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



**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 16 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT**

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

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

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

**Pension Benefits**

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

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

*Tier 2*

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

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

***Death and Disability Benefits***

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

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

***Member and Employer Contributions***

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

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

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

At June 30, 2015, the District reported a liability of \$111,509,377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2014, the Employer's proportion was 10.642008 percent.

For the year ended June 30, 2015, the Employer recognized pension expense of \$6,778,276. At June 30, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 852,639	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(12,667,724)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	<u>8,457,478</u>	<u>-</u>
Total	<u>\$ 9,310,117</u>	<u>\$ (12,667,724)</u>

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

\$8,457,478 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30:	
2016	\$ (3,024,825)
2017	(3,024,825)
2018	(3,024,825)
2019	(3,024,825)
2020	142,108
Thereafter	142,107

***Actuarial Assumptions***

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.50% to 14.75%, varying by service, including inflation and productivity
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for TFFR.

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

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57%	7.53%
Global Fixed Income	22%	1.40%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

***Discount Rate***

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$150,558,349	\$111,509,377	\$78,668,055

**Pension Plan Fiduciary Net Position**

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

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 17 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

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

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

***Pension Benefits***

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

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

***Death and Disability Benefits***

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

***Refunds of Member Account Balance***

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

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

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

***Member and Employer Contributions***

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

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

At June 30, 2015, the Employer reported a liability of \$14,255,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014, the Employer's proportion was 2.245963 percent.

For the year ended June 30, 2015, the Employer recognized pension expense of \$1,410,521. At June 30, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 462,187	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,782,752)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	1,570,671	-
<b>Total</b>	<b>\$ 2,032,858</b>	<b>\$ (2,782,752)</b>

\$1,570,671 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year ended June 30:		
2016		\$ (597,350)
2017		(597,350)
2018		(597,350)
2019		(597,350)
2020		68,835

**Actuarial Assumptions**

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled



**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

***Discount Rate***

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$21,986,358	\$14,255,607	\$7,791,634

***Pension Plan Fiduciary Net Position***

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

**NOTE 18 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, 2015:

Fund	Transfer In	Transfer Out
Building fund	\$ -	\$ 95,360
Debt service	95,360	-
Total transfers	\$ 95,360	\$ 95,360

The purpose of the transfer of \$95,360 from the Building Fund to the Debt Service Fund was to pay principal payments for the current year that were incurred by the Building Fund.

**NOTE 19 CONTINGENCIES**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material effect on the overall financial position of the District as of June 30, 2015.

**NOTE 20 NONMONETARY TRANSACTIONS**

The District receives food commodities from the federal government to subsidize its food service and twenty-first century learning programs. The market value of commodities received for the year ended June 30, 2015 was \$134,508.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

**NOTE 21 COMMITMENTS**

The District entered into contracts to build additions to Liberty Elementary School. The total cost of these contracts is \$1,582,503. As of June 30, 2015, the District has paid \$1,031,364 on these contracts and is included in construction in progress.

The District entered into contracts to build Legacy High School. The total cost of these contracts is \$57,589,415. As of June 30, 2015, the District has paid \$48,542,724 on these contracts and is included in construction in progress.

The District entered into contracts to build an athletic complex. The total cost of these contracts is \$6,746,686. As of June 30, 2015, the District has paid \$925,345 on these contracts and is included in construction in progress.

**NOTE 22 NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

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

**NOTE 23 GASB 68 AND 71 ADJUSTMENT**

**Implementation of New Accounting Principles**

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* during the year ended June 30, 2015. These statements required the District to change the accounting for the pension costs related to the District's participation in the PERS plan and TFFR plan. In addition, the District also recognized a net pension liability, deferred outflow of resources, and deferred inflows of resources related to the Board's proportionate share of the collective amounts in PERS and TFFR.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2015**

As a result, a prior period adjustment was recorded to recognize net pension liability, deferred outflows, and deferred inflows as of July 1, 2014. The cumulative effect of implementing this GASB statement was an increase in deferred outflows of \$8,136,012 and an increase in net pension liability of \$139,675,025 on the Statement of Net Position. The adjustments resulted in a net decrease of \$131,539,013 to net position on the Statement of Activities.

	<u>ND Public Employees Retirement System (PERS)</u>	<u>ND Teacher's Fund for Retirement (TFFR)</u>	<u>Prior Period Adjustment</u>
Prior period adjustment to net position to record net pension liability	\$ (16,487,916)	\$ (123,187,109)	\$ (139,675,025)
Prior period adjustment to move prior year actual employer contributions to deferred outflows	<u>1,501,050</u>	<u>6,634,962</u>	<u>8,136,012</u>
Total	<u><u>\$ (14,986,866)</u></u>	<u><u>\$ (116,552,147)</u></u>	<u><u>\$ (131,539,013)</u></u>

**NOTE 24 SUBSEQUENT EVENTS**

In September 2015, the District entered into contracts for new improvements to Grimsrud, Prairie Rose, and Highland Acres elementary schools. The total cost of these contracts is \$2,187,765.

On November 1, 2015, the District entered into leases for the purchase of three new copier machines. All leases will be accounted for as capital leases. In total, payments for the three leases are due in monthly principal and interest installments of \$814 beginning November 1, 2015 through October 31, 2018.

Subsequent events noted above were evaluated through December 7, 2015, which is the date these financial statements were available to be issued

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget</u>
REVENUES				
Local sources	26,841,412	\$ 26,841,412	\$ 28,123,877	\$ 1,282,465
State sources	102,776,923	102,776,923	102,239,032	(537,891)
Federal sources	<u>11,330,274</u>	<u>11,330,274</u>	<u>10,508,579</u>	<u>(821,695)</u>
TOTAL REVENUES	<u>140,948,609</u>	<u>140,948,609</u>	<u>140,871,488</u>	<u>(77,121)</u>
EXPENDITURES				
Current				
Regular instruction	82,264,251	82,264,251	79,533,522	2,730,729
Special education	26,895,728	26,895,728	26,422,201	473,527
Career and technical education	5,487,419	5,487,419	5,211,505	275,914
District wide services	8,477,891	8,477,891	7,446,801	1,031,090
Operations and maintenance	11,199,185	11,199,185	10,628,376	570,809
Transportation	3,582,668	3,582,668	3,271,286	311,382
Co-curricular activities	4,972,868	4,972,868	4,662,780	310,088
Debt Service:				
Principal	336,912	336,912	372,182	(35,270)
Interest	239,225	239,225	242,451	(3,226)
Capital outlay	<u>3,133,462</u>	<u>3,133,462</u>	<u>5,228,680</u>	<u>(2,095,218)</u>
TOTAL EXPENDITURES	<u>146,589,609</u>	<u>146,589,609</u>	<u>143,019,784</u>	<u>3,569,825</u>
Excess (deficiency) of revenues over expenditures	<u>(5,641,000)</u>	<u>(5,641,000)</u>	<u>(2,148,296)</u>	<u>3,492,704</u>
Net change in fund balances	<u>\$ (5,641,000)</u>	<u>\$ (5,641,000)</u>	<u>(2,148,296)</u>	<u>\$ 3,492,704</u>
Fund balances - beginning			<u>18,738,628</u>	
Fund balances - ending			<u>\$ 16,590,332</u>	

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

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT**

	2015
Employer's proportion of the net pension liability	10.642008%
Employer's proportionate share of the net pension liability	\$ 111,509,377
Employer's covered-employee payroll	\$ 61,729,312
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.64%
Plan fiduciary net position as a percentage of the total pension liability	66.60%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	2015
Employer's proportion of the net pension liability	2.245963%
Employer's proportionate share of the net pension liability	\$ 14,255,607
Employer's covered-employee payroll	\$ 18,919,516
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.70%

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

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

**NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT**

	2015
Statutorily required contribution	\$ 6,635,840
Contributions in relation to the statutorily required contribution	\$ (6,635,840)
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$ 61,729,312
Contributions as a percentage of covered-employee payroll	10.75%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	2015
Statutorily required contribution	\$ 1,347,070
Contributions in relation to the statutorily required contribution	\$ (1,347,070)
Contribution deficiency (excess)	\$ -
Employer's covered-employee payroll	\$ 18,919,516
Contributions as a percentage of covered-employee payroll	7.12%

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



**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING**

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

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

- The annual budget must be prepared and District taxes must be levied on or before the 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 and operations manager at the revenue and expenditure function/object level.
- The current budget, except property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**COMBINING BALANCE SHEET - TOTAL NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Food Service	MRACTC	Carley Estate		
<b>ASSETS</b>					
Cash	\$ -	\$ 224,895	\$ 30,571	\$ 1,271,308	\$ 1,526,774
Investments	1,148,757	-	330,000	908,060	2,386,817
Taxes receivable	-	-	-	208,534	208,534
Intergovernmental receivable	15,000	156,264	-	-	171,264
Due from county treasurer	-	-	-	417,935	417,935
Due from other funds	-	-	-	1,218,707	1,218,707
Inventory	82,355	-	-	-	82,355
<b>TOTAL ASSETS</b>	<b>\$ 1,246,112</b>	<b>\$ 381,159</b>	<b>\$ 360,571</b>	<b>\$ 4,024,544</b>	<b>\$ 6,012,386</b>
<b>LIABILITIES</b>					
Accounts, salaries and benefits payable	\$ 213,474	\$ 28,680	\$ -	\$ -	\$ 242,154
Due to other funds	231,321	-	-	329,990	561,311
<b>TOTAL LIABILITIES</b>	<b>444,795</b>	<b>28,680</b>	<b>-</b>	<b>329,990</b>	<b>803,465</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Delinquent taxes	-	-	-	208,534	208,534
<b>FUND BALANCES</b>					
Nonspendable	82,355	-	-	-	82,355
Restricted	718,962	352,479	360,571	3,486,020	4,918,032
<b>TOTAL FUND BALANCES</b>	<b>801,317</b>	<b>352,479</b>	<b>360,571</b>	<b>3,486,020</b>	<b>5,000,387</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,246,112</b>	<b>\$ 381,159</b>	<b>\$ 360,571</b>	<b>\$ 4,024,544</b>	<b>\$ 6,012,386</b>

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2015**

	G.O. Bonds of 1997	G.O. School Ref. Bonds of 2005	G.O. Ref. Bonds of 2010	G.O. Bonds of 2012	G.O. Bonds of 2013	G.O. Bonds of 2014	Total Debt Service Funds
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ 131,054	\$ 198,862	\$ 941,392	\$ -	\$ 1,271,308
Investments	179,031	329,692	399,337	-	-	-	908,060
Taxes receivable	4,407	25,720	20,517	16,431	119,961	21,498	208,534
Due from county treasurer	8,682	50,116	40,046	32,191	241,041	45,859	417,935
Due from other funds	18,489	105,591	414,400	66,832	511,367	102,028	1,218,707
<b>TOTAL ASSETS</b>	<b><u>\$ 210,609</u></b>	<b><u>\$ 511,119</u></b>	<b><u>\$ 1,005,354</u></b>	<b><u>\$ 314,316</u></b>	<b><u>\$ 1,813,761</u></b>	<b><u>\$ 169,385</u></b>	<b><u>\$ 4,024,544</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Unavailable revenues	\$ 4,407	\$ 25,720	\$ 20,517	\$ 16,431	\$ 119,961	\$ 21,498	\$ 208,534
Due to other funds	27,144	217,666	-	-	-	85,180	329,990
<b>Total liabilities</b>	<b><u>31,551</u></b>	<b><u>243,386</u></b>	<b><u>20,517</u></b>	<b><u>16,431</u></b>	<b><u>119,961</u></b>	<b><u>106,678</u></b>	<b><u>538,524</u></b>
<b>Fund balances</b>							
Reserved for debt service	179,058	267,733	984,837	297,885	1,693,800	62,707	3,486,020
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 210,609</u></b>	<b><u>\$ 511,119</u></b>	<b><u>\$ 1,005,354</u></b>	<b><u>\$ 314,316</u></b>	<b><u>\$ 1,813,761</u></b>	<b><u>\$ 169,385</u></b>	<b><u>\$ 4,024,544</u></b>

**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, 2015**

	Special Revenue Funds			Debt Service Funds	Total Nonmajor Governmental Funds
	Food Service	MRACTC	Carley Estate		
REVENUES					
Local sources	\$ 3,799,468	\$ -	\$ -	\$ 8,767,663	\$ 12,567,131
State sources	71,295	466,278	-	-	537,573
Federal sources	1,952,033	-	-	-	1,952,033
Miscellaneous	-	291,405	-	-	291,405
TOTAL REVENUES	<u>5,822,796</u>	<u>757,683</u>	<u>-</u>	<u>8,767,663</u>	<u>15,348,142</u>
EXPENDITURES					
Current					
Career and technical education	-	769,788	11,061	-	780,849
School food services	5,887,103	-	-	-	5,887,103
Debt Service					
Principal	-	-	-	9,075,341	9,075,341
Interest	-	-	-	2,933,977	2,933,977
Service charges	-	-	-	34,433	34,433
Capital Outlay	148,740	-	-	-	148,740
TOTAL EXPENDITURES	<u>6,035,843</u>	<u>769,788</u>	<u>11,061</u>	<u>12,043,751</u>	<u>18,860,443</u>
Excess (deficiency) of revenues over expenditures	(213,047)	(12,105)	(11,061)	(3,276,088)	(3,512,301)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	90	-	-	-	90
Proceeds from long term debt	-	-	-	3,720,000	3,720,000
Premium on bonds issued	-	-	-	6,502	6,502
Transfers in	-	-	-	95,360	95,360
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>90</u>	<u>-</u>	<u>-</u>	<u>3,821,862</u>	<u>3,821,952</u>
Net change in fund balances	(212,957)	(12,105)	(11,061)	545,774	309,651
Fund balances - beginning	<u>1,014,274</u>	<u>364,584</u>	<u>371,632</u>	<u>2,940,246</u>	<u>4,690,736</u>
Fund balances - ending	<u>\$ 801,317</u>	<u>\$ 352,479</u>	<u>\$ 360,571</u>	<u>\$ 3,486,020</u>	<u>\$ 5,000,387</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, 2015**

	G.O. Bonds of 1997	G.O. School Ref. Bonds of 2005	G.O. Ref. Bonds of 2010	G.O. Bonds of 2012	G.O. Bonds of 2013	G.O. Bonds of 2014	Total Nonmajor Debt Service Funds
<b>REVENUES</b>							
Local Sources	\$ 182,648	\$ 1,046,832	\$ 835,018	\$ 665,583	\$ 5,048,782	\$ 988,800	\$ 8,767,663
<b>EXPENDITURES</b>							
Debt Service							
Principal	153,390	4,675,000	685,000	460,000	2,510,000	591,951	9,075,341
Interest	14,028	190,495	80,798	148,747	2,166,151	333,758	2,933,977
Service charges	200	30,366	1,125	1,177	1,181	384	34,433
Total expenditures	<u>167,618</u>	<u>4,895,861</u>	<u>766,923</u>	<u>609,924</u>	<u>4,677,332</u>	<u>926,093</u>	<u>12,043,751</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>15,030</u>	<u>(3,849,029)</u>	<u>68,095</u>	<u>55,659</u>	<u>371,450</u>	<u>62,707</u>	<u>(3,276,088)</u>
<b>OTHER FINANCING SOURCES</b>							
Proceeds from long term debt	-	3,720,000	-	-	-	-	3,720,000
Premium on bonds issued	-	6,502	-	-	-	-	6,502
Transfers in	-	-	95,360	-	-	-	95,360
Total other financing sources	<u>-</u>	<u>3,726,502</u>	<u>95,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,821,862</u>
<b>NET CHANGE IN FUND BALANCES</b>	15,030	(122,527)	163,455	55,659	371,450	62,707	545,774
<b>FUND BALANCE - BEGINNING</b>	<u>164,028</u>	<u>390,260</u>	<u>821,382</u>	<u>242,226</u>	<u>1,322,350</u>	<u>-</u>	<u>2,940,246</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 179,058</u>	<u>\$ 267,733</u>	<u>\$ 984,837</u>	<u>\$ 297,885</u>	<u>\$ 1,693,800</u>	<u>\$ 62,707</u>	<u>\$ 3,486,020</u>

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF INTERIOR			
Passed through Standing Rock Sioux Tribe: Indian Education - Assistance to Schools	15.130		\$ <u>35,363</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through North Dakota Department of Public Instruction:			
School Breakfast Program	10.553	1006	243,635
National School Lunch Program	10.555	1006	1,476,049
National School Lunch Program - commodities	10.555	1006	185,508
Summer Food Service Program for Children Child Nutrition Cluster	10.559	1008	<u>46,840</u> 1,952,032
Child and Adult Care Food Program	10.558	1007	130,845
Fresh Fruit and Vegetable Program	10.582	1009	<u>91,079</u>
Total U.S. Department of Agriculture			<u>2,173,956</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start	93.600		<u>1,505,069</u>
Total U.S. Department of Health and Human Services			<u>1,505,069</u>
U.S. DEPARTMENT OF EDUCATION			
Indian Education - Grants to Local Education Associations	84.060		198,199
English Language Acquisition Grants	84.365		516,521 A
Passed through the State Board of Career and Technical Education:			
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	2038	218,207

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION (CONTINUED)			
Passed through North Dakota Department of Public Instruction:			
English Language Acquisition Grants	84.365	1043	\$ 24,985 A
Adult Education	84.002	1048	85,000
Title I - Grants to LEAs	84.010	1019	2,590,419
Title I - Neglected and Delinquent Children	84.013	1018 & 1019	172,400
Education for Homeless Children and Youth	84.196	1022	30,461
IDEA, Part B Special Education	84.027	1024	2,797,680
IDEA, Part B Special Education - Preschool Special Education Cluster (IDEA)	84.173	1026	<u>50,710</u> 2,848,390
Twenty-First Century Community Learning Centers	84.287	1066	692,736
Improving Teacher Quality State Grants	84.367	1046	860,224
School Improvement Grants	84.377		148,930
Passed through North Dakota Department of Health and Human Services:			
Special Education - Grants for Infants and Families with Disabilities	84.181		<u>1,645,717</u>
Early Intervention Services (IDEA) Cluster			<u>1,645,717</u>
Total U.S. Department of Education			<u>10,032,189</u>
Total expenditures of federal awards			<u>\$ 13,746,577</u>

Sum of A, CFDA #84.365 English Language Acquisition Grants \$541,506

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards represents amounts expended from federal programs during the year ended June 30, 2015 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.

**NOTE 2 RECONCILIATION TO FINANCIAL STATEMENTS**

The schedule of expenditures of federal awards includes \$1,285,965 of federal funds expended and related federal revenue that is recorded in the fiduciary fund - MREC. This combined with federal revenues and expenditures in the general fund of \$10,508,579 and federal revenues and expenditures in the food service fund of \$1,952,033 equals total federal revenue and expenditures of \$13,746,577.





CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bismarck Public School District No. 1 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bismarck Public School District No. 1's basic financial statements and have issued our report thereon dated December 7, 2015.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

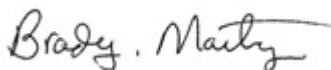
As part of obtaining reasonable assurance about whether Bismarck Public School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-002.

### **District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.**

Bismarck, North Dakota

December 7, 2015



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Programs**

We have audited Bismarck Public School District No. 1's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Bismarck Public School District No. 1's major federal programs for the year ended June 30, 2015. Bismarck Public School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Bismarck Public School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 Bismarck Public School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, Bismarck Public School District No. 1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

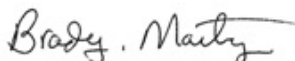
## Report on Internal Control Over Compliance

Management of Bismarck Public School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bismarck Public School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Bismarck Public School District No. 1's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**

Bismarck, North Dakota

December 7, 2015

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I - Summary of Auditor's Results**

Financial Statements

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

Federal Awards

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

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are Required to be reported in accordance with Circular A-133, Section .510(a)?	<u>      </u> yes	<u>  x  </u> no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster (IDEA)
84.181	Special Education – Grants for Infants and Families with Disabilities
84.365	English Language Acquisition State Grants
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$412,397</u>
Auditee qualified as a low-risk auditee?	<u>      </u> yes <u>  x  </u> no

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Section II - Financial Statement Findings**

**2015-001: Material Weakness**

Criteria

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

Condition

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to propose entries to record debt proceeds, related expenditures and draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect

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

Cause

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

Views of Responsible Officials and Planned Corrective Actions

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

**2015-002**

Criteria

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

Condition

The District had one bank account with a balance of \$1,152,417 as of June 30, 2015 that was only covered by \$250,000 of FDIC coverage, therefore leaving an uncollateralized balance of \$902,417.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Cause

The amount of pledged securities did not adequately cover bank accounts during the fiscal year 2015.

Effect

The District did not have all their deposits adequately covered by FDIC coverage and / or pledged securities as of June 30, 2015 and is not in compliance with North Dakota Century Code 21-04-09.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The uncollateralized balance of \$1,152,417 at June 30, 2015 is related to the escrow account at Deutsche Bank for the Equipment Lease/Purchase Agreement of 2013 to fund energy savings projects in the District's school buildings. The project will be completed by the end of June 30, 2016; therefore, no collateral will be needed for this account.

**BISMARCK PUBLIC SCHOOL DISTRICT NO. 1  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015**

**2015-001**

Contact Person

Darin Scherr, Business and Operations Manager

Corrective Action Plan

The management and School Board of Bismarck Public School District No. 1. do not feel it is cost beneficial to obtain and maintain this type of knowledge and expertise.

Completion Date

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

**2015-002**

Contact Person

Darin Scherr, Business and Operations Manager

Corrective Action Plan

The District will review all bank accounts and pledged securities to ensure proper collateral is in place.

Completion Date

Fiscal year 2016