

Board of Education
of the City of Fargo
Fargo, North Dakota

Audit Report

For the Year Ended
June 30, 2015



ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

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BOARD OF EDUCATION OF THE CITY OF FARGO

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BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

For the Year Ended June 30, 2015

SCHOOL BOARD

Robin Nelson	President
Linda Boyd	Vice-President
David Paulson	Board Member
Dinah Goldenberg	Board Member
Jennifer Benson	Board Member
Jim Johnson	Board Member
John Strand	Board Member
Paul Meyers	Board Member
Rebecca Knutson	Board Member

ADMINISTRATION

Dr. Jeffrey Schatz	Superintendent
Dr. Robert Grosz	Associate Superintendent
Dr. Rachael Agre	Assistant Superintendent
Broc Lietz	Business Manager

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Board of Education of the City of Fargo
Fargo, 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 the Board of Education of the City of Fargo, North Dakota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Fargo, North Dakota, 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 a Matter

As discussed in Note 27 to the financial statements, the Board of Education of the City of Fargo adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is 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 and budgetary comparison information* on pages 4-17 and 55 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 the Board of Education of the City of Fargo's basic financial statements. The *schedule of fund activity, combining balance sheet – nonmajor special revenue funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor special revenue funds, budgetary comparison schedule – food service fund, budgetary comparison schedule – student activities fund, budgetary comparison schedule – debt service fund, budgetary comparison schedule – capital projects fund, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of fund activity, combining balance sheet – nonmajor special revenue funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor special revenue funds, budgetary comparison schedule – food service fund, budgetary comparison schedule – student activities fund, budgetary comparison schedule – debt service fund, budgetary comparison schedule – capital projects fund, and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 *schedule of fund activity, combining balance sheet – nonmajor special revenue funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor special revenue funds, budgetary comparison schedule – food service fund, budgetary comparison schedule – student activities fund, budgetary comparison schedule – debt service fund, budgetary comparison schedule – capital projects fund, and the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015 on our consideration of the Board of Education of the City of Fargo'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 the Board of Education of the City of Fargo's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 15, 2015

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

As management of the Fargo Public School District, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Fargo Public Schools for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished. The intent of this discussion and analysis is to look at the district's financial performance as a whole.

Financial Highlights

- The assets of the Fargo Public School District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,257,473 (Net Position). Of this amount, (\$96,417,167) (Unrestricted net position) will be needed to meet ongoing obligations.
- The Fargo Public School District's total net position increased by \$2,803,649 as a result of the current year's operation.
- The Fargo Public School District's total revenues from all sources were \$161,451,134. Total expenses were \$158,647,485.
- At the close of the current fiscal year, The Fargo Public School District's governmental funds reported combined ending fund balances of \$51,690,561, a decrease of \$7,760,713 in comparison with the prior year. Approximately 55.7% or \$28,789,664 is available for spending through an unassigned fund balance.
- A prior period adjustment was necessary to properly recognize the provisions of GASB 68. Accordingly, beginning net position was reduced by (\$134,672,057) for the beginning Fiscal Year 2015 net pension liability. See Note 27 for more detailed information related to this prior period adjustment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fargo Public School District's basic financial statements. The Fargo Public School District's basic financial statements are comprised of three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

These financial statements are organized so the reader can more clearly understand the Fargo Public School District as a whole.

Government-Wide Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Fargo Public School District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Fargo Public School District's assets and deferred outflows of resources, and the liabilities and deferred inflows of resources, 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 Fargo Public School District is improving or declining.

The Statement of Activities presents information showing how the school district's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

Both of the government-wide financial statements distinguish functions of the school district that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Figure 1, summarizes the major features of the district's financial statements, including portions of the district's activities covered and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure 1 Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental	Proprietary Funds
Scope	Entire District	The activities of the district that are not Proprietary or Fiduciary, such as Food Service.	Activities the district operates similar to private Business – <input type="checkbox"/> Internal Service Fund
Required Financial Statements	<input type="checkbox"/> Statement of Net Position <input type="checkbox"/> Statement of Activities	<input type="checkbox"/> Balance Sheet <input type="checkbox"/> Statement of revenues, expenditures and changes in fund balance	<input type="checkbox"/> Statement of Net Position <input type="checkbox"/> Statement of revenues, expenses and changes in fund net position <input type="checkbox"/> Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resource Focus	Modified accrual accounting and current financial resources focus	Accrual Accounting and Economic Resource Focus
Type of Asset/Liability information	All assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Fargo Public School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fargo Public School District can be divided into three groups: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Proprietary Funds

The Fargo Public School District maintains a proprietary fund to account for the financing of a self-insurance program available to employees. This account is used to accumulate and allocate costs internally on a cost-reimbursement basis

BOARD OF EDUCATION OF THE CITY OF FARGO
Management's Discussion and Analysis - Continued

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of specific groups. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the Fargo Public School District

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the district's financial position. The district's net position of \$12,257,473 is segregated into three categories: Net Investment in capital assets, Restricted and Unrestricted. Net Investment in capital assets represents 710.02% of the district's net position. These assets are not available for future spending. Although the Fargo Public School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. Restricted net position represents 176.58% of the district's resources that are subject to external restrictions on how they may be used. Unrestricted net position represents the remaining (786.6%) of resources. The large negative unrestricted net position balance was solely due to the net pension liability, and related deferred inflows and outflows of resources. The pension obligations are long term obligations that are not likely to ever be liquidated from unrestricted net position, and are not obligated out of current resources to pay upcoming obligations. Not considering the effects of the pension items, the unrestricted net position would be \$36,716,562. That amount of unrestricted net position is available to actually meet the district's ongoing obligations. We believe that amount of unrestricted net position, not considering the effects of pension items, is sufficient to meet our ongoing obligations.

BOARD OF EDUCATION OF THE CITY OF FARGO
NET POSITION

	2015	2014
<u>Assets</u>		
Current and Non-Current assets	\$ 75,024,868	\$ 86,958,583
Capital assets (net of depreciation)	197,021,313	183,673,807
Total Assets	\$272,046,181	\$270,632,390
<u>Deferred Outflows of Resources</u>		
Difference between expected and actual experience	\$ 11,525,985	\$ -
Total Assets and Deferred Outflows of Resources	\$283,572,166	\$270,632,390
<u>Liabilities and Deferred Inflows of Resources</u>		
Current Liabilities	\$ 12,766,339	\$ 15,493,411
Long Term Liabilities	242,557,917	110,876,150
Total Liabilities	\$255,324,256	\$126,369,561
<u>Deferred Inflows of Resources</u>		
Food Service Commodity Inventory	\$ 4,245	\$ 4,748
Food Service Lunch Credits	153,683	132,200
Change in Projected and Actual Investment Earnings	15,832,509	-
Total Deferred inflows of Resources	\$ 15,990,437	\$ 136,948
Total Liabilities and Deferred Inflows of Resources	\$271,314,693	\$126,506,509
<u>Net Position</u>		
Net Investment in Capital Assets	\$ 87,030,071	\$ 76,201,594
Restricted	21,644,569	30,315,326
Unrestricted	(96,417,167)	37,608,961
Total Net Position	\$ 12,257,473	\$144,125,881

BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

Current assets decreased and capital assets increased as the result of construction in progress related to the building of Ed Clapp elementary school. Current liabilities decreased as a result of lower accounts payable mainly from a reduction in amounts owing to contractors as we near completion on the Ed Clapp School. Long-term liabilities due within one year increased after management's decision to complete a crossover advance refunding of a portion of the 2008 Limited tax bond to be redeemed on May 1, 2016. Long-term liabilities due outside one year, deferred inflows of resources, and deferred outflows of resources all increased due to the requirements to report pension related items under GASB 68. Net investment in capital assets increased and restricted net position decreased as the result of construction in progress.

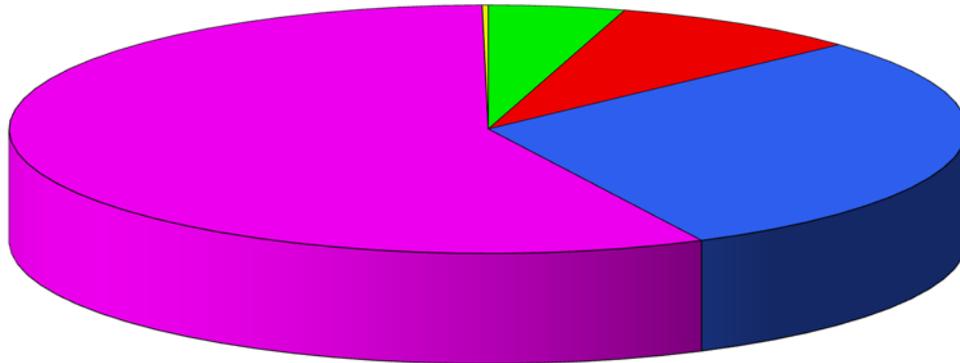
Governmental activities increased the Fargo Public School District's net position by \$2,803,649. Key elements of this increase are as follows:

BOARD OF EDUCATION OF THE CITY OF FARGO CHANGES IN NET POSITION		
Revenues	2015	2014
Program Revenues:		
Charges for Services	\$ 7,430,864	\$ 7,409,956
Operating Grants and Contributions	13,706,656	12,596,930
General Revenues		
Taxes	47,758,378	46,870,682
State Aid	92,225,769	88,823,659
Interest and Other Revenue	329,467	451,553
Total Revenues	<u>\$ 161,451,134</u>	<u>\$ 156,152,780</u>
Expenses		
Instruction	\$ 99,816,014	\$ 91,068,166
Support Services:		
Pupil Services	4,309,492	3,854,953
Instructional Staff Services	5,118,405	4,727,433
General Administrative Services	2,971,883	3,364,514
School Administrative Services	9,916,374	9,429,199
Business Services	3,217,322	2,909,258
Operations and Maintenance	16,306,669	17,700,607
Pupil Transportation Services	2,320,569	2,356,975
Co-Curricular Services	4,123,652	4,722,500
Food Services	6,338,682	6,145,933
Community Services	293,853	284,287
Interest and other charges on Long-Term Debt	3,914,570	3,289,537
Total Expenses	<u>\$ 158,647,485</u>	<u>\$ 149,853,362</u>
Change in Net Position	<u>\$ 2,803,649</u>	<u>\$ 6,299,418</u>
Net Position – July 1	\$ 144,125,881	\$ 137,826,463
Prior Period Adjustment - Net Pension Liability	(134,672,057)	-
Net Position – July 1, 2014, as restated	<u>\$ 9,453,824</u>	<u>\$ 137,826,463</u>
Net Position – June 30	<u>\$ 12,257,473</u>	<u>\$ 144,125,881</u>

During the 2013 Legislative Session an increase in State Foundation Aid was approved. The Legislative Session increased the State Foundation aid to \$8,810 for the 2013-2014 fiscal year and the rate increased to \$9,092 per student for the 2014-2015 fiscal year. This resulted in the \$3,402,110 increase showing in State Aid. Contracted salary increases, along with increases in the required contributions to both TFFR (Teachers fund for Retirement) and PERS (Public Employees Retirement System) resulted in an increase of \$8,747,848 to instructional expenses.

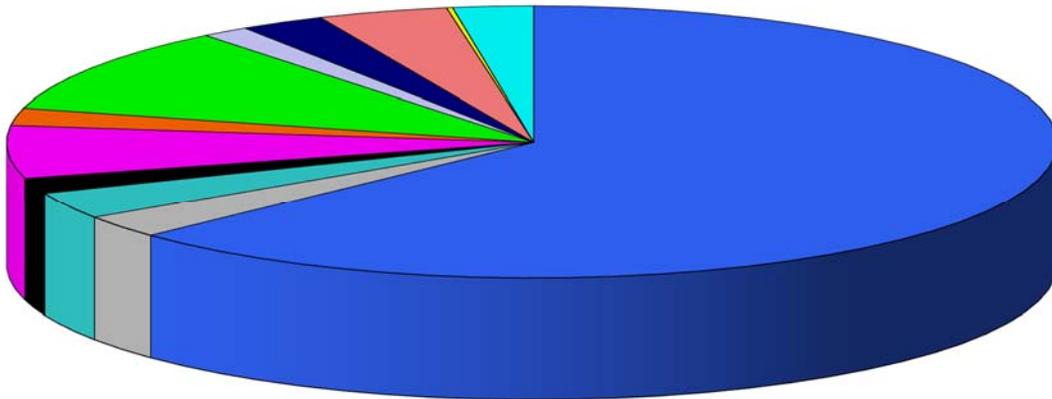
Property taxes constituted 29.58%, state aid 57.12%, operating grants/contributions 8.49%, and other revenues made up the remaining 4.81% of the total revenues of the governmental activities of the District for the 2015 fiscal year. Instruction comprises 62.92% of the district's governmental expenses, while support services account for 34.61% and interest and other charges on long-term debt 2.47%.

**Revenues of the Board of Education of the City of Fargo
 for the Fiscal Year 2015**



- | | |
|-----------------------------------|--|
| ■ 4.60% Charges for Services | ■ 8.49% Operating Grants and Contributions |
| ■ 29.58% Taxes | ■ 57.12% State Aid |
| ■ .21% Interest and Other Revenue | |

**Expenses of the Board of Education of the City of Fargo
 for the Fiscal Year 2015**



- | | |
|--|---|
| ■ 62.92% Instruction | ■ 2.71% Pupil Services |
| ■ 3.23% Instructional Staff Services | ■ 1.87% General Administrative Services |
| ■ 6.25% School Administrative Services | ■ 2.03% Business Services |
| ■ 10.28% Operations and Maintenance | ■ 1.46% Pupil Transportation Services |
| ■ 2.60% Co-Curricular Services | ■ 4.00% Food Services |
| ■ .18% Community Services | ■ 2.47% Interest on Long-Term Debt |

BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

As a result of the 2013 Legislative Session, the district's funding pattern has changed from the prior twenty years, which relied heavily on property taxes rather than state sources. The new funding formula, established in the current biennium, places more emphasis on students rather than property. As a result, state per pupil aid increased while property taxes remained fairly stable. The cost of all governmental activities this year was \$158,647,485 compared to \$149,853,362 for the year ended June 30, 2014.

- Some of the cost was paid for by the users of the district's programs. (\$7,430,864).
- The Federal and State governments subsidized certain programs with grants and contributions (\$13,706,656 for operating purposes).
- Most of the district's revenues (\$140,313,614) and increase in net position, was funded by district taxpayers and the taxpayers of the State of North Dakota
- This portion of governmental activities was paid for with \$47,758,378 in property taxes, \$92,225,769 in state aid based on the statewide education aid formula and \$329,467 with investment earnings and other general revenues.

BOARD OF EDUCATION OF THE CITY OF FARGO
NET COST OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2015

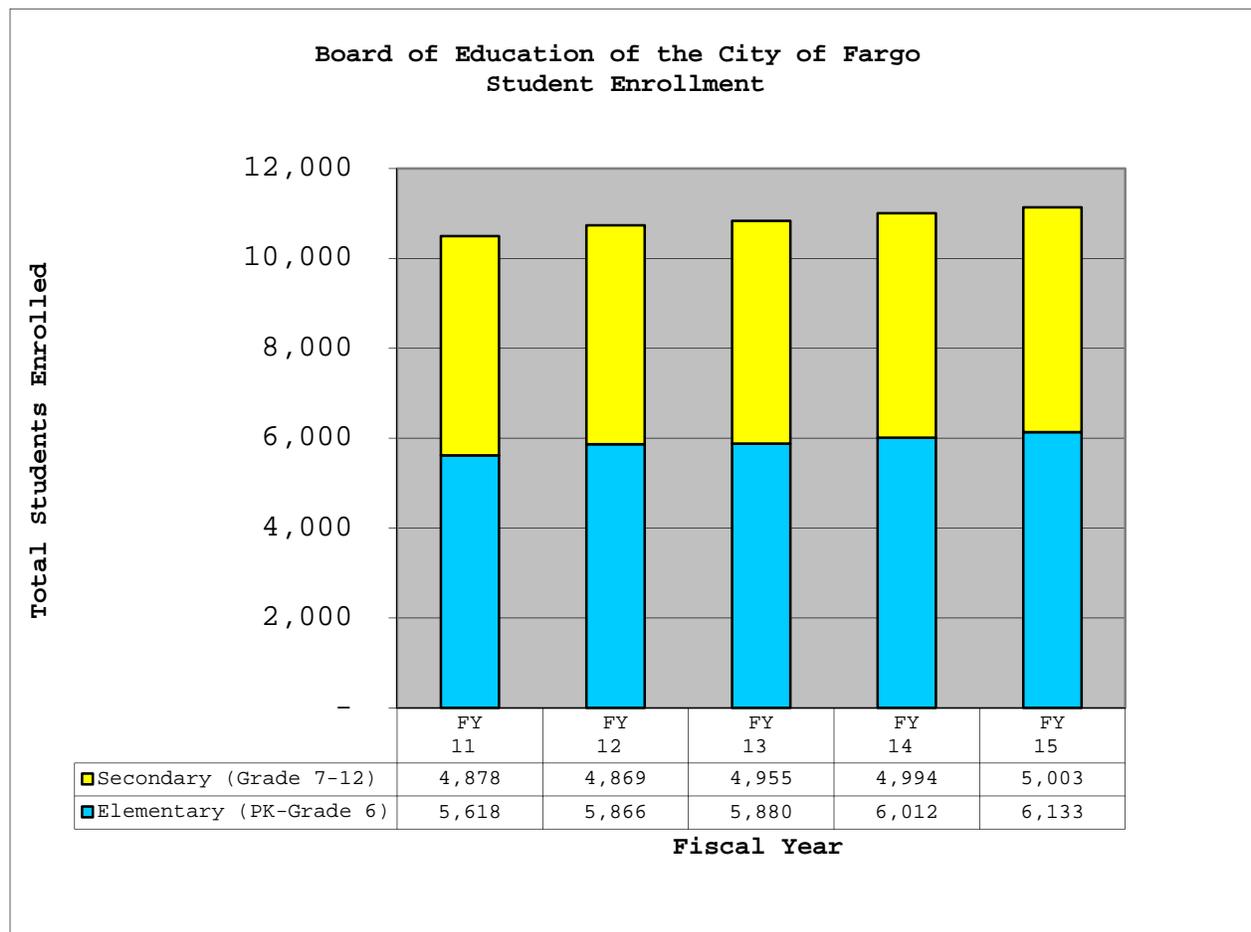
	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Regular Instruction	\$ 70,448,417	\$(62,422,185)	\$ 64,270,614	\$ (56,862,197)
Special Education	23,254,151	(19,667,431)	20,994,685	(17,406,780)
Vocational Education	5,371,488	(4,225,678)	5,163,110	(4,338,605)
Adult Education	741,958	(447,695)	639,757	(446,073)
Pupil Services	4,309,492	(4,195,884)	3,854,953	(3,701,216)
Instructional Staff Services	5,118,405	(5,118,405)	4,727,433	(4,727,433)
General Admin Services	2,971,883	(2,971,879)	3,364,514	(3,364,507)
School Admin Services	9,916,374	(9,916,374)	9,429,199	(9,429,199)
Business Services	3,217,322	(3,058,395)	2,909,258	(2,786,547)
Operations & Maintenance	16,306,669	(15,977,304)	17,700,607	(17,358,468)
Pupil Transportation Service	2,320,569	(1,326,799)	2,356,975	(1,384,437)
Co-Curricular	4,123,652	(3,649,199)	4,722,500	(4,277,349)
Food Service Outlays	6,338,682	(324,314)	6,145,933	(189,841)
Community Services	293,853	(293,853)	284,287	(284,287)
Interest Expense	3,914,570	(3,914,570)	3,289,537	(3,289,537)
TOTAL	\$158,647,485	\$(137,509,965)	\$149,853,362	\$(129,846,476)

The "Net Cost of Services" column is calculated by subtracting total program revenues from the expenses of each function. If the expenses of the district's functions surpass the program revenues, negative numbers result in the Statement of Activities, representing a net expense or net cost to the general public. These functions are generally dependent upon general-purpose revenues, including tax dollars. When program revenues exceed expenses, the resulting number is positive, representing net revenue to the general public, sometimes available to offset other program costs. The "positive" or "negative" numbers merely indicate whether a particular function relies on general revenues for financing or is a net contributor to the resources of the district. Because the district relies on property taxes and state aid as its primary funding sources, the total net cost of services will be a negative number.

BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

GENERAL FUND

The General Fund includes the primary operations of the district in providing educational services to students from pre-school through grade 12. Over the last five years, the district's total student population has increased from 10,496 to 11,136. Fiscal year 2015 saw a 130 student increase in enrollment. Because of continuing strong development of new residential areas we anticipate that the total number of students will increase slightly or remain stable in the future.



The following schedule presents a summary of General Fund revenues.

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$ 44,429,346	\$ 44,340,553	\$ 88,793	.20%
State Sources	94,885,888	91,190,111	3,695,777	4.05%
Federal Sources	8,141,404	7,499,358	642,046	8.56%
Other Sources	210,875	226,615	(15,740)	(6.95)%
Total General Fund Revenue	\$147,667,513	\$143,256,637	\$4,410,876	3.08%

During fiscal year 2015 the total General Fund revenue increased by \$4,410,876, or 3.08% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of a mix of property taxes and state aid revenue.

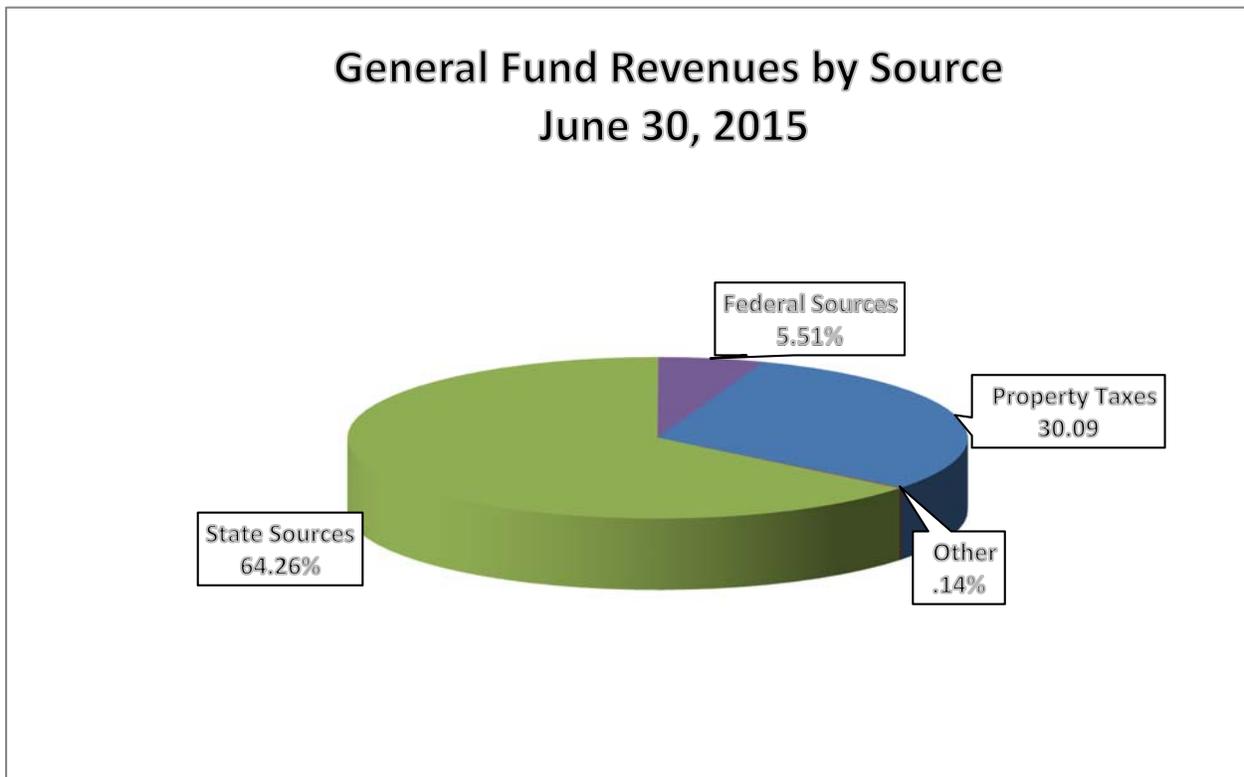
BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

The following schedule presents a summary of General Fund expenditures.

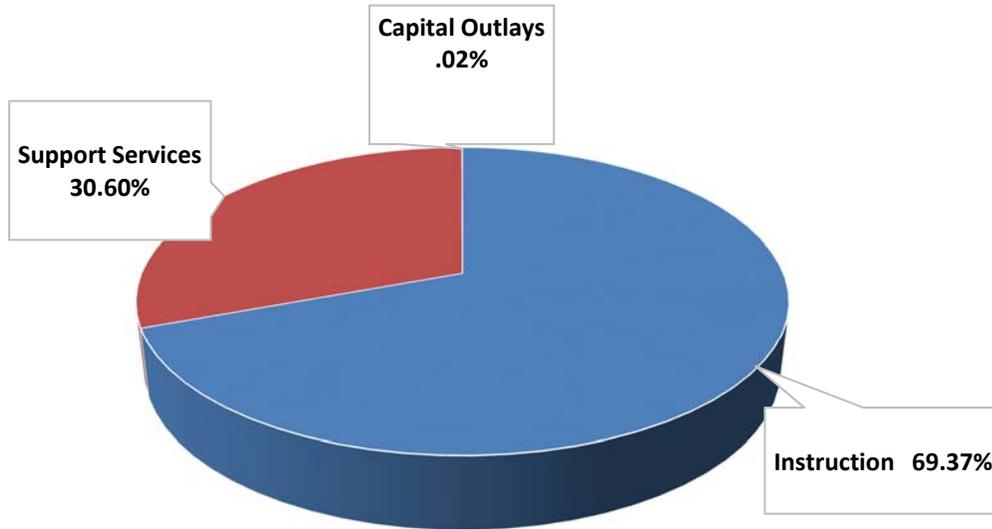
	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Instruction	\$ 97,666,318	\$ 91,574,011	\$6,092,307	6.65%
Support Services	43,083,699	43,676,467	(592,768)	(1.36)%
Capital Outlay	33,595	-	33,595	100.00%
Total General Fund Expenditures	\$140,783,612	\$135,250,478	\$5,533,134	4.09%

Total General Fund expenditures increased \$5,533,134 or 4.09% from the previous year. In fiscal year 2015, Instruction costs increased because of negotiated salary increases, along with increases in the required contributions to both TFFR (Teachers fund for Retirement) and the PERS (Public Employees Retirement System).

In fiscal year 2015, General Fund revenues exceeded expenditures by \$747,413 (after other financing sources/uses), resulting in a total fund balance of \$28,975,841, compared to a fund balance in 2014 of \$28,228,428.



General Fund Expenditures by Use June 30, 2015



General Fund Budgetary Highlights

During the year there was a \$1,502,286 increase in appropriations between the original and final revenue (and Other Financing Sources/ Uses) budget and an increase of \$1,309,084 between the original and final expenditure budget. The actual revenue amount was less than the final budget by \$2,533,657. The majority of this difference resulted from a lower than projected per pupil aid payment and less in state grants. The actual expenditure amount was less than the final budget by \$3,404,357. The difference in expenditures from the final budget compared to actual was mainly from lower than expected instructional and maintenance costs.

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources	\$149,590,465	\$151,092,751	\$148,559,094	\$(2,533,657)

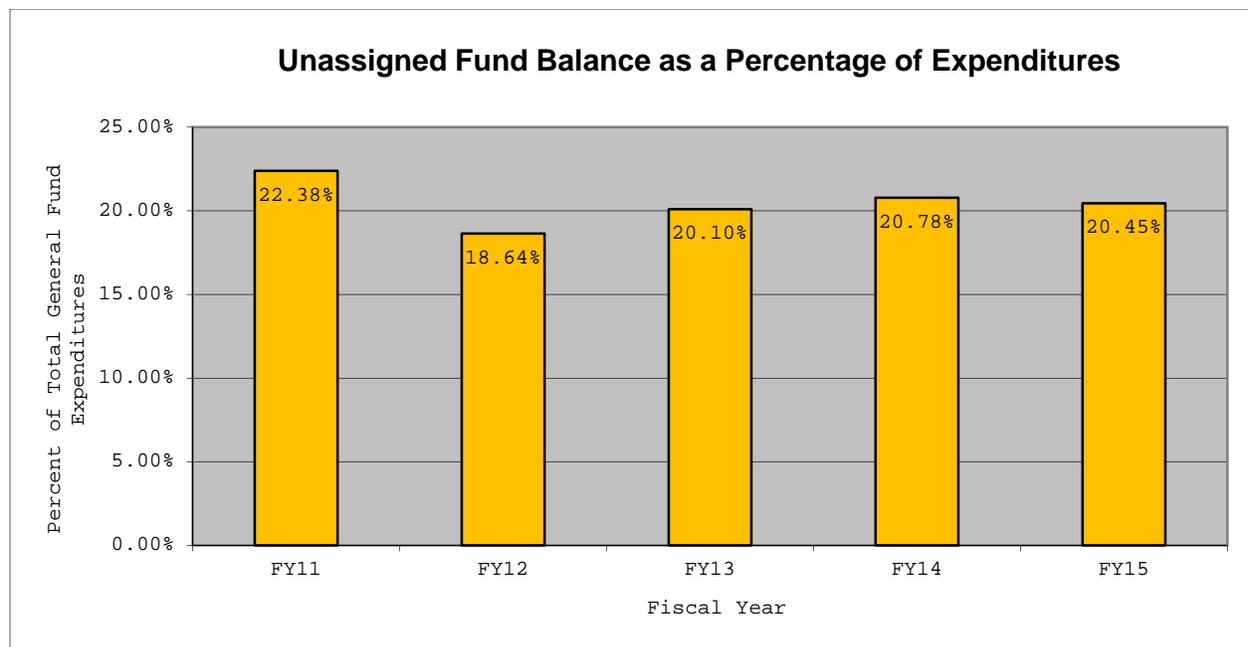
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures and Other Financing Uses	\$149,906,954	\$151,216,038	\$147,811,681	\$3,404,357

BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

**SUMMARY OF GENERAL FUND CHANGES
 LAST TEN FISCAL YEARS**

School Year	Beginning Balance July 1	Revenues	Expenditures	Other Financing Uses and Transfers In	Ending Balance June 30
2005-2006	22,879,587	103,873,065	97,701,269	(3,865,135)	25,186,248
2006-2007	25,186,248	108,442,734	103,833,289	(4,077,431)	25,718,262
2007-2008	25,718,262	112,477,359	105,771,454	(4,641,219)	27,782,948
2008-2009	27,782,948	115,146,900	110,414,481	(6,168,359)	26,347,008
2009-2010	26,347,008	126,859,924	115,831,876	(6,719,034)	30,656,022
2010-2011	30,656,022	137,347,429	125,333,733	(7,551,010)	35,118,708
2011-2012	35,118,708	131,096,376	132,684,435	(6,817,884)	26,712,765
2012-2013	26,712,765	135,287,423	130,758,712	(4,821,426)	26,420,050
2013-2014	26,420,050	143,256,637	135,250,478	(6,197,781)	28,228,428
2014-2015	28,228,428	147,667,513	140,783,612	(6,136,488)	28,975,841

The following graph shows the General Fund unassigned fund balance as a percentage of expenditures for the last five fiscal years.



BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

The graph above is one of the best measures of overall financial health. The unassigned fund balance of \$28,789,664 at June 30, 2015 represents 20.45% of annual general fund expenditures. The Board of Education of the City of Fargo established a 10% fund balance goal several years ago to help with financial stability. It substantially modified that goal to 15% and has surpassed it since fiscal year 2002. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district.

DEBT SERVICE FUND

The Debt Service fund is being included as a major fund for the Board of Education of the City of Fargo this year. This fund is used to make principal and interest payments on our bonds when due. The use of a debt service fund allows us to report principal, interest and other related costs separate from the ongoing operating activities of the general fund.

The following schedule presents a summary of Debt Service Fund revenues.

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$24	\$16	\$8	50%

Total Debt Service Fund revenues increased \$8 or 50% from the previous year. The reason for the increase during fiscal year 2015 was interest earned on bond funds.

The following schedule presents a summary of Debt Service Fund expenditures.

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Principal	\$ 6,775,000	\$5,810,000	\$1,965,000	188.73%
Interest	3,591,491	3,051,986	539,505	17.68%
Total Debt Service Expenditures	\$10,366,491	\$8,861,986	\$1,504,505	129.82%

Total Debt Service Fund expenditures increased \$1,504,505 or 16.98% from the previous year. In fiscal year 2015, the \$10,000,000 Limited Tax Building Bond, series 2007 Bond was refunded on May 1, 2015 with a payment to the bond escrow agent.

CAPITAL PROJECTS FUND

The Capital Projects fund is also a major fund for the Board of Education of the City of Fargo. This fund is where we report major capital acquisitions and construction. The use of a capital projects fund allows us to report construction activities financed through bond borrowings separate from the ongoing operating activities of the general fund.

The following schedule presents a summary of Capital Projects Fund revenues.

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$7,747,088	\$7,759,511	\$(12,423)	(.16)%

Total Capital Projects Fund revenues decreased \$12,423 or .16% from the previous year. The primary reasons for the decrease during fiscal year 2015 was a reduction in rental income and lower than expected interest income.

BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

The following schedule presents a summary of Capital Projects Fund expenditures.

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operations & Maint.	\$ 2,150	\$ 2,675	\$ (525)	(19.63)%
Capital Outlay	17,748,966	7,572,703	10,176,263	134.38%
Principal	611,450	599,443	12,007	2.00%
Interest	87,452	107,477	(20,025)	(18.63)%
Bond Costs	296,985	306,849	(9,864)	(3.21)%
Total Capital Projects Expenditures	\$18,747,003	\$8,589,147	\$10,157,856	118.26%

Total Capital Projects Fund expenditures increased \$10,157,856 or 118.26% from the previous year. In fiscal year 2015, capital outlay expenditures increased because of construction on the new Ed Clapp elementary school.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2015, the Fargo Public School District had \$197,021,313 invested in capital assets. This investment includes land and land improvements, buildings and improvements, equipment and vehicles, and construction in progress.

BOARD OF EDUCATION OF THE CITY OF FARGO
CAPITAL ASSETS (NET OF DEPRECIATION)

	2015	2014
Land and Land Improvements	\$ 11,395,198	\$ 11,395,198
Buildings and Improvements	156,734,379	159,248,023
Equipment and Vehicles	3,170,141	3,149,172
Construction in Progress	25,721,595	9,881,414
Total Capital Assets	\$197,021,313	\$183,673,807

Construction in progress increased greatly due to the building of Ed Clapp elementary school which will open in the fall of 2015. Buildings and Improvements decreased mainly from depreciation. More detailed information about capital assets can be found in Note 10 to the financial statements.

Long-Term Liabilities

At the end of the current fiscal year, the district had \$241,381,755 in long-term liabilities. Of this amount, \$109,384,166 is long-term debt (consisting of bonds payable and special assessments payable). \$17,241,753 is a current liability due within one year. The Fargo Public School District increased its existing debt obligations by \$131,545,706. The key factor for this is the addition of two new bonds, the 2015 and 2015(B) Limited Tax Bonds totaling \$19,585,000, and the requirement of GASB 68 to report net pension liability totaling \$128,827,205. The 2015 bond effected a current refunding of the 2007 Limited Tax bond. The 2015(B) bond will effect a crossover advance refunding of a portion of our 2008 Limited Tax bond in May of 2016. More detailed information about the district's long-term liabilities is presented in Note 19 to the financial statements.

BOARD OF EDUCATION OF THE CITY OF FARGO
LONG-TERM LIABILITIES

	2015	2014
General Obligation Bonds Payable	\$ 93,435,000	\$ 88,335,000
Paid Leave System Payable	1,934,709	1,494,031
Special Assessments Payable	514,166	579,492
Building Authority Revenue Bonds Payable	15,435,000	18,155,000
Compensated Absences Payable	464,703	472,853
Sick Leave Longevity Payable	414,044	456,154
PTO Payable	356,928	343,519
Net Pension Liability	128,827,205	-
Total	\$241,381,755	\$109,836,049

Economic Factors and Next Year's Budget

During the period, prior to 2010-11, the burden of financing education in North Dakota steadily and continually shifted from state sources to local sources. The 2009 Legislative Session made a significant change in this direction, committing state resources to school districts that resulted in a 75 mill reduction in local mill levies; this was reaffirmed in the 2011 Legislative Session. The 2013 Legislative Session made an even more significant shift in K-12 education funding.

The 2013 Legislative Session provided for an increase in the state foundation aid to a level of \$8,810 per student for the 2013-14 fiscal year. This rate increased to \$9,092 per student for the 2014-15 fiscal year. This is an increase from \$3,910 and \$3,980 during the previous biennium. This change resulted in the elimination of the mill levy reduction grants provided for in the previous legislative sessions, and calls for a minimum mill levy reduction of 50 mills. This sets the state mill levy cap at 60, a reduction from the previous cap of 110 mills. The new formula also eliminates many of the special levies previously allowable, such as a technology levy and high school tuition levy. These are replaced by a statutory allowance for up to 12 mills for miscellaneous purposes. In total, this change in funding is supported by Fargo Public Schools, as we are a growing district and the formula places much more emphasis on students rather than property. Subsequently, Fargo Public Schools experienced reductions in property tax revenue in 2013-14 of (\$12,158,080) and state property tax relief previously funded at (\$19,672,962). This was offset by an increase in state per pupil aid of \$39,992,037 in 2013-2014 and an increase of \$ 3,402,110 in 2014-2015. The most recent legislative session, concluding in April 2015 saw a 3% increase in state foundation aid each year of the biennium, equaling \$9,365 per student in 2015-16 and \$9,646 per student in 2016-17.

Several years ago, during long term planning processes, we established goals related to our general operations. A fund balance goal, to help with financial stability, was established at 10%. That goal was substantially modified to 15% and has been reached and surpassed. In recent years, this unassigned fund balance has fluctuated due to the district making capital project expenditures without securing additional debt. We will continue to monitor the fund balance to assure we are maintaining a level consistent with our 15% goal. Limiting ending fund balances for K-12 education was a focus of some law makers during the 2015 legislative session. As a result, it will be important for Fargo Public Schools to be mindful of balancing our desired goal of 15% with the perception that the fund balances are unnecessarily large.

We also wanted mill levy increases to be minimal or even decline over time. Since fiscal year 2001, the general fund mill levy has declined from 295.46 mills to the current levy of 139.00 mills. This is a result of both the district's commitment to being good stewards of tax payer money and the legislative action described above. Legislative action reduced the general fund mill levy by 125 mills over this period and the district reduced the mill levy an additional 31.46 mills. This reduction, by the district, was beyond what was prescribed by law. The general fund levy for Fargo Public Schools will be frozen at the actual dollars collected during 2015-16 fiscal year and will remain frozen either until voter approval for a specified levy is secured, or the value of 70 mills equals the dollars collected during this fiscal year.

BOARD OF EDUCATION OF THE CITY OF FARGO
Management's Discussion and Analysis - Continued

Over the past 2 fiscal years, Fargo Public Schools had taken a proactive approach to operations with development and approval of three long-range plans: 1.) Long Range Facilities Plan, approved in fiscal year 2013-14; 2.) Strategic Plan, approved in fiscal year 2014-15; and 3.) Long Range Financial Plan approved in 2014-15. These three plans are all aligned to provide direction to the district over the next 10 years, with annual reviews.

The Fargo Public School District held a special election in March of 2014 to request excess mill levy authority. As a result of the 2009 Legislative action to provide property tax relief, renewing taxpayer authorization of excess levy authority is required no later than December 31, 2015. The district did not receive a favorable outcome during the special election. As a result, the district is embarking on a new Strategic Planning Process which will engage the public in shaping the future of K-12 education for the district. This process identified where the district plans to go with educational services and programming over the next decade. The outcome of this process also identified the financial needs to meet this direction and serve as the framework for a new Long Range Financial Plan.

While the current financial condition of the district is strong, careful planning and financial stewardship must be followed to ensure that stability remains in future years. We will work diligently through the course of the year to monitor both revenues and expenses to maintain a balanced general operating budget, while continually striving for efficiencies going forward.

Requests for Information

This financial report is designed to provide a general overview of the Fargo Public School District's finances for all our citizens, taxpayers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Fargo Public Schools District Office
Broc Lietz
Business Manager
415 4th Street North
Fargo, North Dakota 58102

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

STATEMENT OF NET POSITION
June 30, 2015 and 2014 (Summarized Comparative Totals 2014)

	Governmental Activities	
	2015	2014
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>		
Current Assets:		
Cash and Investments	\$ 54,927,250	\$ 74,705,926
Cash with Fiscal Agent	9,721,464	16
Accounts Receivable	69,935	243,311
Taxes Receivable	2,068,519	2,282,617
Intergovernmental Receivables	3,154,558	4,894,478
Due from County Treasurer	2,273,489	1,969,395
Inventories	184,425	141,957
Other Asset	13,296	-
Contracts Receivable	2,416,783	2,662,140
Interest Receivable	1,603	855
Prepaid Expenses	138,626	-
Bond Discount - Unamortized	2,969	2,968
Non-Current Assets:		
Bond Discount - Unamortized	51,951	54,920
Capital Assets (Not Being Depreciated):		
Land	11,395,198	11,395,198
Construction in Progress	25,721,595	9,881,414
Capital Assets (Net of Accumulated Depreciation):		
Buildings and Improvements	156,734,379	159,248,023
Equipment and Vehicles	3,170,141	3,149,172
Total Capital Assets	<u>\$ 197,021,313</u>	<u>\$ 183,673,807</u>
Total Assets	<u>\$ 272,046,181</u>	<u>\$ 270,632,390</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Difference Between Expected & Actual Experience	<u>\$ 11,525,985</u>	<u>\$ -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 283,572,166</u>	<u>\$ 270,632,390</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</u>		
Accounts Payable	\$ 2,302,666	\$ 5,875,489
Salaries and Benefits Payable	7,379,814	6,768,197
Due to Other Agencies	127,354	104,167
Contracts Payable	679,557	631,693
IBNR Claims	1,393,126	1,465,670
Interest Payable	883,822	648,195
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	17,175,000	7,205,000
Special Assessments Payable	66,753	65,327
Bond Premium - Unamortized	159,782	142,812
Due After One Year:		
Bonds Payable	91,695,000	99,285,000
Special Assessments Payable	447,413	514,165
Compensated Absences	464,703	472,853
Paid Leave System Payable	1,934,709	1,494,031
Sick Leave Longevity Payable	414,044	456,154
PTO Payable	356,928	343,519
Bond Premium - Unamortized	1,016,380	897,289
Net Pension Liability	<u>128,827,205</u>	<u>-</u>
Total Liabilities	<u>\$ 255,324,256</u>	<u>\$ 126,369,561</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Food Service Commodity Inventory	\$ 4,245	\$ 4,748
Food Service Lunch Credits	153,683	132,200
Change in Projected and Actual Investment Earnings	<u>15,832,509</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>\$ 15,990,437</u>	<u>\$ 136,948</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 271,314,693</u>	<u>\$ 126,506,509</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$ 87,030,071	\$ 76,201,594
Restricted For:		
Capital Projects	21,644,548	30,315,313
Debt Service	21	13
Unrestricted	<u>(96,417,167)</u>	<u>37,608,961</u>
Total Net Position	<u>\$ 12,257,473</u>	<u>\$ 144,125,881</u>

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015 (Summarized Comparative Totals 2014)

	2015			2014	
	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes In Net Position	Net (Expense) Revenue and Changes In Net Position
Governmental Activities:					
Instruction:					
Regular	\$ 70,448,417	\$ 1,992,830	\$ 6,033,402	\$ (62,422,185)	\$ (56,862,197)
Special Education	23,254,151	732,358	2,854,362	(19,667,431)	(17,406,780)
Vocational Education	5,371,488	238,848	906,962	(4,225,678)	(4,338,605)
Adult Education	741,958	-	294,263	(447,695)	(446,073)
Support Services:					
Pupil Services	4,309,492	113,608	-	(4,195,884)	(3,701,216)
Instructional Staff Services	5,118,405	-	-	(5,118,405)	(4,727,433)
General Administrative Services	2,971,883	4	-	(2,971,879)	(3,364,507)
School Administrative Services	9,916,374	-	-	(9,916,374)	(9,429,199)
Business Services	3,217,322	158,927	-	(3,058,395)	(2,786,547)
Operations and Maintenance	16,306,669	329,365	-	(15,977,304)	(17,358,468)
Pupil Transportation Services	2,320,569	4,794	988,976	(1,326,799)	(1,384,437)
Co-Curricular	4,123,652	474,453	-	(3,649,199)	(4,277,349)
Food Service	6,338,682	3,385,677	2,628,691	(324,314)	(189,841)
Community Services	293,853	-	-	(293,853)	(284,287)
Interest & Other Charges on Long-Term Debt	3,914,570	-	-	(3,914,570)	(3,289,537)
Total Governmental Activities	\$ 158,647,485	\$ 7,430,864	\$ 13,706,656	\$ (137,509,965)	\$ (129,846,476)
General Revenues:					
Taxes:					
Property Taxes; Levied for General Purposes				\$ 38,586,475	\$ 38,743,028
Property Taxes; Levied for Debt Service				7,175,474	7,200,509
Other Tax Revenue				1,996,429	927,145
State Aid not Restricted to Specific Program:					
Per Pupil Aid				92,225,769	88,823,659
Interest Income and Other Revenue				329,467	451,553
Total General Revenues				\$ 140,313,614	\$ 136,145,894
Change in Net Position				\$ 2,803,649	\$ 6,299,418
Net Position - July 1, 2014				\$ 144,125,881	\$ 137,826,463
Prior Period Adjustment				(134,672,057)	-
Net Position - July 1, 2014, as restated				\$ 9,453,824	\$ 137,826,463
Net Position - June 30, 2015				\$ 12,257,473	\$ 144,125,881

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
 Fargo, North Dakota

BALANCE SHEET-GOVERNMENTAL FUNDS
 June 30, 2015 (Summarized Comparative Totals 2014)

	MAJOR FUNDS				Total Governmental Funds	
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	2015	2014
	ASSETS					
Cash and Investments	\$ 32,488,637	\$ -	\$ 11,787,166	\$ 2,627,359	\$ 46,903,162	\$ 65,479,157
Cash with Fiscal Agent	-	21	9,721,443	-	9,721,464	16
Interest Receivable	1,603	-	-	-	1,603	855
Accounts Receivable	42,675	-	-	1,256	43,931	222,902
Taxes Receivable	1,742,048	-	326,471	-	2,068,519	2,282,617
Intergovernmental Receivable	3,147,251	-	-	7,307	3,154,558	4,894,478
Due from County Treasurer	1,913,683	-	359,806	-	2,273,489	1,969,395
Contracts Receivable	-	-	2,416,783	-	2,416,783	2,662,140
Inventories	169,767	-	-	14,658	184,425	141,957
Other Asset	-	-	-	13,296	13,296	-
Prepaid Expenses	16,410	-	-	-	16,410	-
Total Assets	\$ 39,522,074	\$ 21	\$ 24,611,669	\$ 2,663,876	\$ 66,797,640	\$ 77,653,517
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 1,358,516	\$ -	\$ 918,658	\$ 3,270	\$ 2,280,444	\$ 5,616,481
Salaries and Benefits Payable	7,289,233	-	-	87,261	7,376,494	6,768,197
Due to Other Agencies	127,354	-	-	-	127,354	104,167
Contracts Payable	29,082	-	650,475	-	679,557	631,693
Total Liabilities	\$ 8,804,185	\$ -	\$ 1,569,133	\$ 90,531	\$ 10,463,849	\$ 13,120,538
Deferred Inflows of Resources:						
Uncollected Taxes Receivable	\$ 1,742,048	\$ -	\$ 326,471	\$ -	\$ 2,068,519	\$ 2,282,617
Uncollected Contracts Receivable	-	-	2,416,783	-	2,416,783	2,662,140
Food Service Commodity Inventory	-	-	-	4,245	4,245	4,748
Food Service Lunch Credits	-	-	-	153,683	153,683	132,200
Total Deferred Inflows of Resources	\$ 1,742,048	\$ -	\$ 2,743,254	\$ 157,928	\$ 4,643,230	\$ 5,081,705
Fund Balances:						
Nonspendable:						
Inventories	\$ 169,767	\$ -	\$ -	\$ 10,413	\$ 180,180	\$ 137,209
Prepaid Expenses	16,410	-	-	-	16,410	-
Contracts Receivable	-	-	2,416,783	-	2,416,783	2,662,140
Restricted:						
Debt Service	-	21	4	-	25	16
Capital Projects Fund	-	-	17,882,495	-	17,882,495	25,873,170
Assigned:						
Special Revenue Fund-Food Service	-	-	-	2,405,004	2,405,004	2,678,198
Unassigned:	28,789,664	-	-	-	28,789,664	28,100,541
Total Fund Balances	\$ 28,975,841	\$ 21	\$ 20,299,282	\$ 2,415,417	\$ 51,690,561	\$ 59,451,274
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 39,522,074	\$ 21	\$ 24,611,669	\$ 2,663,876	\$ 66,797,640	\$ 77,653,517

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total *Fund Balances* for Governmental Funds \$ 51,690,561

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	\$ 259,674,705	
Less: Accumulated Depreciation	<u>(62,653,392)</u>	
Net Capital Assets		197,021,313

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 uncollected revenues in the funds. 2,068,519

Contracts receivable are amounts due from the park district which will be collected in future years. They are reported as uncollected revenue in the governmental funds. 2,416,783

Interest payable on long-term debt is not accrued in the governmental fund statements until due, but is recorded as an expense on the statement of net position. (883,822)

Net Pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds. (128,827,205)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Difference between Expected and Actual Experience	\$ 11,525,985	
Change in Projected and Actual Investment Earnings	<u>(15,832,509)</u>	(4,306,524)

Long-term assets and 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 assets or liabilities. All assets and liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2015 are:

Bonds Payable	\$ (108,870,000)	
Sick Leave Longevity	(414,044)	
PTO Payable	(356,928)	
Unamortized Bond Discount	54,920	
Unamortized Bond Premium	(1,176,162)	
Paid Leave System Payable	(1,934,709)	
Special Assessments	(514,166)	
Compensated Absences	<u>(464,703)</u>	
Total Long-Term Liabilities		(113,675,792)

An internal service fund is used by the School District to charge the cost of medical insurance, worker's compensation insurance and unemployment claims to individual functions. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Internal service fund net position is: 6,753,640

Total Net Position of Governmental Activities \$ 12,257,473

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
 Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015 (Summarized Comparative Totals 2014)

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds	
	General	Debt Service	Capital Projects		2015	2014
Revenues:						
Local Sources	\$ 44,429,346	\$ 24	\$ 7,747,088	\$ 3,867,272	\$ 56,043,730	\$ 56,084,511
State Sources	94,885,888	-	-	59,889	94,945,777	91,242,442
Federal Sources	8,141,404	-	-	2,568,803	10,710,207	9,881,354
Other Sources	210,875	-	-	-	210,875	226,615
Total Revenues	\$ 147,667,513	\$ 24	\$ 7,747,088	\$ 6,495,964	\$ 161,910,589	\$ 157,434,922
Expenditures:						
Current:						
Instruction:						
Regular	\$ 68,965,147	\$ -	\$ -	\$ -	\$ 68,965,147	\$ 64,708,323
Special Education	22,724,862	-	-	-	22,724,862	21,050,947
Vocational Education	5,219,095	-	-	-	5,219,095	5,158,907
Adult Education	757,214	-	-	-	757,214	655,834
Support Services:						
Pupil Services	4,243,820	-	-	-	4,243,820	3,985,241
Instructional Staff Services	4,981,551	-	-	-	4,981,551	4,942,322
General Administration Services	2,461,995	-	-	-	2,461,995	2,373,137
School Administration Services	9,652,255	-	-	-	9,652,255	9,238,871
Business Services	3,169,752	-	-	-	3,169,752	2,970,763
Operations and Maintenance	15,819,734	-	2,150	-	15,821,884	17,360,509
Pupil Transportation Services	2,247,814	-	-	-	2,247,814	2,286,381
Co-Curricular	217,573	-	-	3,795,353	4,012,926	4,502,181
Food Service Outlays	-	-	-	6,111,901	6,111,901	6,013,613
Community Services	289,205	-	-	-	289,205	274,508
Capital Outlays	33,595	-	17,748,966	-	17,782,561	7,572,703
Debt Service:						
Principal	-	6,775,000	611,450	-	7,386,450	6,409,443
Interest	-	3,591,491	87,452	-	3,678,943	3,159,463
Bond Costs	-	-	296,985	-	296,985	306,849
Total Expenditures	\$ 140,783,612	\$ 10,366,491	\$ 18,747,003	\$ 9,907,254	\$ 179,804,360	\$ 162,969,995
Excess of Revenues Over (Under) Expenditures	\$ 6,883,901	\$ (10,366,467)	\$ (10,999,915)	\$ (3,411,290)	\$ (17,893,771)	\$ (5,535,073)
Other Financing Sources (Uses):						
Transfers In	\$ 873,950	\$ 20,366,475	\$ 483,597	\$ 3,396,111	\$ 25,120,133	\$ 14,292,042
Transfers Out	(7,028,069)	-	(17,832,064)	(260,000)	(25,120,133)	(14,292,042)
Debt Issuance	-	-	19,585,000	-	19,585,000	26,970,000
Payment to the Refunded Bond Escrow Agent	-	(10,000,000)	-	-	(10,000,000)	-
Discount on the Sale of Bonds	-	-	-	-	-	(57,888)
Premium on the Sale of Bonds	-	-	312,351	-	312,351	-
Sale of Capital Assets	17,631	-	215,000	3,076	235,707	225,703
Total Other Financing Sources (Uses)	\$ (6,136,488)	\$ 10,366,475	\$ 2,763,884	\$ 3,139,187	\$ 10,133,058	\$ 27,137,815
Net Change in Fund Balances	\$ 747,413	\$ 8	\$ (8,236,031)	\$ (272,103)	\$ (7,760,713)	\$ 21,602,742
Fund Balance - July 1	\$ 28,228,428	\$ 13	\$ 28,535,313	\$ 2,687,520	\$ 59,451,274	\$ 37,848,532
Fund Balance - June 30	\$ 28,975,841	\$ 21	\$ 20,299,282	\$ 2,415,417	\$ 51,690,561	\$ 59,451,274

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

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 \$ (7,760,713)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 18,253,800	
Current Year Depreciation	<u>(4,906,293)</u>	13,347,507

In the Statement of Activities, the gain or loss on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Net Loss on the Sale of Capital Assets		(166,085)
--	--	-----------

An internal service fund is used by the district's management to charge the cost of medical insurance, workers' compensation and unemployment claims to individual funds. The net revenue / loss of the internal service fund is reported with governmental activities.

(768,860)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net Decrease in Compensated Absences	\$ 8,150	
Net Decrease in Sick Leave Longevity Payable	42,110	
Net Increase in Paid System Leave Payable	(440,678)	
Net Increase in PTO Payable	(13,409)	
Net Increase in Interest Payable	(235,627)	
Net Decrease in Special Assessments	<u>65,326</u>	(574,128)

Bond proceeds are reported as financing sources in governmental funds that contribute to the change in fund balance. In the government wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

2015 Limited Tax Refunding Bond	\$ (9,835,000)	
2015B Limited Tax Refunding Bond	(9,750,000)	
Bond Premium	<u>(312,351)</u>	(19,897,351)

Bond issuance costs, whether paid out of the proceeds of debt issuance or paid from other resources, are reported as expenditures in the governmental funds when they occur.

296,985

Governmental funds report bond premiums when they are first issued. In government-wide statements these amounts are deferred and amortized in the statement of activities.

Bond Premium Amortization		(136,061)
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Governmental funds report bond discounts when they are first issued. In government-wide statements these amounts are deferred and amortized in the statement of activities.

Bond Discount Amortization		(2,968)
----------------------------	--	---------

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

17,386,450

The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Decrease in Net Pension Liability	\$ 5,844,852	
Increase in Deferred Outflows of Resources	11,525,985	
Increase in Deferred Inflows of Resources	<u>(15,832,509)</u>	1,538,328

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 uncollected taxes and uncollected contracts receivable.

Decrease in Uncollected Taxes Receivable	\$ (214,098)	
Decrease in Uncollected Contracts Receivable	<u>(245,357)</u>	(459,455)

Change in Net Position of Governmental Activities \$ 2,803,649

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015 and 2014 (Summarized Comparative Totals 2014)

	Internal Service Fund	
	2015	2014
ASSETS:		
<u>Current Assets:</u>		
Cash and Investments	\$ 8,024,088	\$ 9,226,769
Accounts Receivable	26,004	20,409
Prepaid Expenses	122,216	-
	<u>\$ 8,172,308</u>	<u>\$ 9,247,178</u>
LIABILITIES:		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 22,222	\$ 259,008
Salaries Payable	3,320	-
IBNR Claims	1,393,126	1,465,670
	<u>\$ 1,418,668</u>	<u>\$ 1,724,678</u>
NET POSITION:		
<u>Restricted For:</u>		
Prepaid Expenses	\$ 122,216	\$ -
Retiree's Insurance	-	4,000
Patient Centered Outcomes Research Inst.	5,428	3,765
Transitional Reinsurance Program (TRP)	119,416	236,754
Workman's Compensation	-	2,000
Unrestricted	<u>6,506,580</u>	<u>7,275,981</u>
Total Net Position	<u>\$ 6,753,640</u>	<u>\$ 7,522,500</u>

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Years Ended June 30, 2015 and 2014 (Summarized Comparative Totals 2014)

	Internal Service Fund	
	2015	2014
<u>Operating Revenues:</u>		
Contributions to Self-Insurance	<u>\$ 16,418,480</u>	<u>\$ 15,283,152</u>
<u>Operating Expenses:</u>		
Health Insurance Claims	<u>\$ 17,187,340</u>	<u>\$ 16,480,610</u>
Operating Income (Loss)	<u>\$ (768,860)</u>	<u>\$ (1,197,458)</u>
Total Net Position - July 1	<u>\$ 7,522,500</u>	<u>\$ 8,719,958</u>
Total Net Position - June 30	<u>\$ 6,753,640</u>	<u>\$ 7,522,500</u>

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
 Fargo, North Dakota

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Years Ended June 30, 2015 and 2014 (Summarized Comparative Totals 2014)

	Internal Service Fund	
	2015	2014
<u>Cash Flows From Operating Activities:</u>		
Received from User Charges	\$ 16,290,668	\$ 15,273,588
Payments for Health Insurance Claims	(17,493,349)	(15,982,565)
Net Cash Used/Provided by Operating Activities	\$ (1,202,681)	\$ (708,977)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,202,681)	\$ (708,977)
Cash and Cash Equivalents Beginning of Year	\$ 9,226,769	\$ 9,935,746
Cash and Cash Equivalents End of Year	\$ 8,024,088	\$ 9,226,769
 <u>Reconciliation of Operating Income (Loss) to net Cash Provided By Operating Activities:</u>		
Operating Income (Loss)	\$ (768,860)	\$ (1,197,458)
Adjustments to reconcile operating income (loss) to net cash provided (Used) by operating activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(5,595)	(9,564)
Increase in Prepaid Expenses	(122,216)	-
Decrease in Accounts Payable	(236,786)	217,560
Increase in Salaries Payable	3,320	-
Decrease in IBNR Claims Payable	(72,544)	280,485
Net Cash Used/Provided by Operating Activities	\$ (1,202,681)	\$ (708,977)

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2015 and 2014 (Summarized Comparative Totals 2014)

	<u>Agency Funds</u>	
	<u>2015</u>	<u>2014</u>
<u>ASSETS:</u>		
Cash and Investments	\$ 2,395,501	\$ 2,153,655
Due from Other Governmental Units	445,441	507,129
Accounts Receivable	46,541	49,622
Other Asset	9,376	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,896,859</u>	<u>\$ 2,710,406</u>
<u>LIABILITIES:</u>		
Accounts Payable	\$ 154,383	\$ 91,707
Salaries and Benefits Payable	-	35,600
Due to Other Agencies	168,025	204,959
Due to Student Groups	2,574,451	2,378,140
	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 2,896,859</u>	<u>\$ 2,710,406</u>

The notes to the financial statements are an integral part of this statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education of the City of Fargo have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the school district's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Board of Education of the City of Fargo. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Board of Education of the City of Fargo to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board of Education of the City of Fargo.

Based on these criteria, there is one component unit to be included within the Board of Education of the City of Fargo as a reporting entity.

BLENDING COMPONENT UNIT

This component unit is a legally separate entity, which provides services exclusively to the school.

Fargo School District Building Authority – The building authority was created by the school board as a legally separate entity. Its purpose is to promote the educational system of the district by providing financing for use by the school in altering, repairing, maintaining or constructing buildings and making improvements connected to school buildings. The School Board, Superintendent and Business Manager make up the governing board of the building authority. Activity of the Building Authority is recorded in the debt service and capital projects funds. Financial statements for the component unit may be obtained at the Fargo Public School District Office.

B. Basis of Presentation, Basis of Accounting

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, the Board of Education of the City of Fargo. These statements include financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the school district's funds including fiduciary funds. Separate statements for each fund category: governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The school district reports the following governmental funds:

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

Debt Service Fund. This fund is used to account for financial resources that are restricted, committed or assigned for the payment of principal, interest and fees on outstanding bonds.

Capital Projects Fund. This fund is used to account for financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities.

Additionally, the school district reports the following fund types:

Internal Service Fund. This fund accounts for medical insurance, workers' compensation insurance and unemployment claims provided to other departments on a cost-reimbursement basis.

Agency Funds. This fund accounts for assets held by the school district in a custodial capacity as an agent on behalf of others. The school district's agency fund is used to account for various deposits of the student activity funds.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The fiduciary funds are agency funds. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the school district gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The school district considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the school district funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both a restricted and unrestricted net position available to finance the program. It is the school district's policy to first apply cost-reimbursement grant resources to such programs, and then use general revenues.

D. Budgets

Based upon available financial information and requests by the school board, the business manager prepares the school district budget. The budget is prepared for the general, special revenue, debt service and capital projects funds on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

School district taxes must be levied by the governing board on or before the fifteenth day of August. The taxes levied must be certified to the county auditor by August 25. The governing body of the school district may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

Encumbrance accounting is employed in governmental funds. Encumbrances, which are comprised of purchase orders, outstanding at year-end, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated during the subsequent fiscal year.

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents consist of deposits with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in another financial institution 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 uninsured balance. The bank balances of the district, as of the balance sheet date, are entirely insured or collateralized with securities held by the school system or its agent in the school system's name.

Investments consist of certificates of deposit stated at cost and government securities for the building authority stated at fair value. Although all deposits of the district are categorized as Category 1, readers should be aware of the three categories of disclosure required for investments and deposits.

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

Category	Investments	Deposits
1	Insured or registered or securities held by the entity or its agent in the entity's name.	Insured or collateralized, with securities held by the entity or by its agent in the entity's name.
2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.	Collateralized, with securities held by the pledging financial institution's trust department or agent in the entity's name.
3	Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name (this includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities).	Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

F. Inventories

The district accounts for the inventory of the general and food service funds using the consumption method. Under this method inventories are initially recorded as assets and the recognition of the expenditure is deferred until the period in which the inventories are actually consumed. Donated food commodities are reported in the governmental funds as Food Service commodity inventory when received. Inventories are valued on the FIFO (first in first out) cost basis.

The valuation of food service commodity inventory is established by the USDA and provided to the district. The value of the commodities inventory at June 30, 2015 was \$4,245.

G. Capital Assets

Capital assets, which include land and land improvements, buildings and improvements, vehicles and equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings and improvements, and vehicles and equipment of the district are depreciated using the straight line method over the following estimated useful lives.

Assets	Years
Permanent Buildings	50
Temporary or Wood Structures	10
Playground Equipment	20
Vehicles - New	15
Vehicles – Used – Includes: Generators, Tractors, Pallet Stackers	*
Exception: Front-End Loaders	25
Copy Machines	6
Servers and Computer Hardware	5
Other Equipment – Includes: Food Service Equipment, Walk in Freezers Auto Scrubbers, Stage Tables	10

* Useful life on used vehicles is 15 years less (year of manufacture less year of purchase).

Land and Construction in Progress are not depreciated.

H. Compensated Absences

Vested or accumulated vacation leave is reported in the government-wide statement of net position. Compensation for unused vacation leave is granted to all 12-month employees upon termination of employment with the school district based on their current rate of pay. Twelve-month employees may carry forward unused leave not to exceed 5 days, which will be added to the accumulation for the current year. Vacation leave is earned as follows:

SERVICE	DAYS PER YEAR
0 – 11 Months	10
1 year through 5 years 11 months	14
6 years through 11 years 11 months	17
12 years through 14 years 11 months	20
15 years and above	22

Nine and ten month employees are entitled to three personal days per year, prorated to the length of the employee's work day, which may accumulate to a maximum of six days. On October 9, 2011 Teachers and OT/PT's (occupational therapists and physical therapists) negotiated a new contract which calculates their personal and sick leave benefits under new rules. Teachers and OT/PT's will receive three personal days per year which may accumulate to a maximum of six days, prorated to the length of the employee's work day. Teachers and OT/PT's may request payment for unused personal leave, based on contracted daily hours at their current salary step for each personal day accumulated. All other nine and ten month employees who request payment for unused personal leave will be paid at the current year's third step of the salary schedule in group two.

Sick leave benefits are provided to all employees who are employed for four or more hours per day. All twelve month employees receive 15 days per year. Teachers, OT/PT's, and all other nine and ten month employees, receive twelve days per year. Sick leave benefits are prorated on the basis of the number of months of employment for employees whose employment starts at other than the normal starting date. Under the prior Teacher and OT/PT contract, two categories of sick leave were established, Legacy Sick Leave and Sick Leave. Any unused accumulated sick leave at the end of the 2010-2011 school year was reclassified as Legacy Sick Leave. Employees who were employed prior to this date may have a balance of Legacy Sick Leave. Legacy Sick Leave benefits could accumulate up to a maximum of 180 days for regular district employees, and 246 days for administrators. Sick days taken during the 2011-2012 fiscal year and forward will be taken from the Legacy Sick Leave balance first, if available. When the employees Legacy Sick Leave balance is reduced to zero, the days will then come off of their Sick Leave balance. Starting with the 2012 contract, an employee's sick leave will be added to their Sick Leave category, not the Legacy Sick Leave. Any unused sick leave can accumulate year after year with unlimited accumulation. In accordance with provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits for regular employees. A liability has been recorded for Teachers and OT/PT's who have the option to sell back some or all of their next year's sick leave credit once they have accumulated a minimum of 65 days (Legacy and Sick Leave combined). Support staff also have this option once a minimum of 90 days (Legacy and Sick leave combined) has been accumulated. Employees who elect to sell back their sick leave days, over the 65/90 day minimum, will be paid for them at 50% of their current daily rate.

I. 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 and are paid out of the capital projects fund and general fund respectively. Bond premiums and discounts are recognized as long-term and amortized over the life of the bonds. Bond issuance costs are expensed as they incur.

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

J. Fund Balance and Net Position

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance spending priorities, minimum fund balance policies, and fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the Board of Education of the City of Fargo to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy:

The Board of Education of the City of Fargo established a 10% general fund carryover balance goal several years ago to help with financial stability. It substantially modified that goal to 15% and has surpassed it since fiscal year 2002. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. The unassigned general fund balance of \$28,789,664 at June 30, 2015 represents 20.45% of annual general fund expenditures.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, permanent principal endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose and revenues restricted by enabling legislation.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School District Board of Directors. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.

Table continued on next page....

CONTINUED...

CLASSIFICATION	DEFINITION	EXAMPLES
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the business manager.	By business manager action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Non-spendable Fund Balances – consist of the following items at June 30, 2015:

General Fund (Major Fund) – Either in a nonspendable form or legally or contractually required to be maintained intact:

- (a) Inventory in the general fund is a nonspendable amount totaling \$169,767.
- (b) Prepaid expenses in the general fund are also nonspendable in amount totaling \$16,410.

Capital Projects Fund (Major Fund) – Legally or contractually required to be maintained intact:

- (a) Contracts Receivable is a legally contracted long-term receivable with the Fargo Park District for their share of special assessments at several schools totaling \$2,416,783.

Special Revenue Fund – (Food Service) (Nonmajor Fund) – In a nonspendable form:

- (a) Inventory in the Special Revenue Fund – (Food Service), consists of non-commodity food and supplies that are nonspendable in an amount totaling \$10,413.

Restricted Fund Balances – consist of the following items at June 30, 2015:

Capital Projects Fund (Major Fund) – Restricted by enabling legislation.

- (a) Debt Service fund balance. This is legally restricted cash held by US Bank for the payment of Bond principal or interest due, or for construction costs incurred. \$4.
- (b) Capital Projects fund balance. This is restricted for the crossover advance refunding of a portion of the 2024 principal maturity, and 2025 and 2026 maturities of the 2008 Limited Tax Bonds to be paid in May of 2016 totaling \$9,635,000 plus the February 2016 interest due on the 2015(B) bond totaling \$143,542. The remaining amount of \$8,103,953 is restricted for construction.

Debt Service Fund (Nonmajor Fund) – Restricted by enabling legislation.

- (a) Debt Service fund balance. This is legally restricted cash held by US Bank for the payment of Bond principal or interest due, or for construction costs incurred. \$21.

Assigned Fund Balances – consist of the following items at June 30, 2015:

Special Revenue Fund – (Food Service) (Nonmajor Fund) – Spendable or available for appropriation but is used only for Food Service purposes:

- (a) Food Service assigned balance of \$2,405,004. This is used only for Food Service purposes.

Unassigned Fund Balance – consists of the following item at June 30, 2015:

General Fund (Major Fund) – Available for any legal purpose used to finance operating expenditures:

- (a) The unassigned fund balance amount of \$28,789,664 is available to fund all other operating expenditures not already classified in other areas in accordance with governmental accounting standards as promulgated by the Governmental Accounting Standards Board.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In June of 2012 the GASB approved Statement No. 63. This statement changes how governments will organize the presentation of statements of financial position (the prior government-wide statements of net assets and the governmental funds balance sheet.) Under the new standards, financial statements will now include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities. Also net position will now be reported instead of net assets. The new reporting of deferrals is done to show transactions that have occurred in the current or prior periods but are actually related to future periods. Net position is the difference between the combination of assets and deferred outflows of resources, and the combination of liabilities and deferred inflows. Under Statement 63 the net position is now displayed in three components:

- (1) Net investment in capital assets
- (2) Restricted
- (3) Unrestricted

By presenting deferrals separately from assets and liabilities, the statement of net position will provide users with information about transactions that have already occurred but should be recognized as revenues or expenses in future periods.

Net Position:

The Board of Education of the City of Fargo implemented the provisions of GASB Statement no. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt (bonds payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture requirements for our capital projects and debt service.

Unrestricted net position is primarily unrestricted amounts related to the general fund, and the large negative balance of the net pension liability. The unrestricted net position related to the general fund is available to meet the district's ongoing obligations.

K. Interfund Transactions

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

In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board amended the school district budget for 2015 as follows:

	REVENUES		
	Original Budget	Amendment	Amended Budget
General Fund	\$148,205,576	\$1,588,173	\$149,793,749

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$142,438,829	\$1,309,084	\$143,747,913

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits:

In accordance with North Dakota Statutes, the Fargo Public School 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, school 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.

At the year ended June 30, 2015, the Fargo Public School District's carrying amount of all deposits, (less investments of \$5,000,000 and \$1,123 in petty cash held at the schools), was \$52,321,627 and the bank balances were \$54,326,937. Of the bank balances, \$1,730,808 was covered by Federal Depository Insurance. The remaining balances of \$52,596,129 were collateralized with securities held by the pledging financial institution's agent in the school district's name.

Additional information on deposits is located in Note 1E.

Investments:

As of June 30, 2015 the school district had the following investments and maturities:

Investment Type	Fair Value	Maturity
Repurchase Agreement-Starion	\$5,000,000	523 Days
Total	\$5,000,000	

Restricted Cash / Cash with Fiscal Agent:

The amount of \$9,721,464 reported in the financial statements at June 30, 2015, consists primarily of debt proceeds placed in an irrevocable trust, to advance refund on May 1, 2016, a portion of the remaining 2008 Series B limited Tax School Building Bonds maturing in the years 2024 through 2026.

Interest Rate Risk:

The school district does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk:

State statutes authorize the school district to invest in:

- (1) 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.
- (2) 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.
- (3) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or by the state.
- (4) Obligations of the state.
- (5) Certificates of deposit fully insured or guaranteed by the federal deposit insurance corporation and placed for the benefit of the public depositor by a public depository through an appropriate reciprocal deposit placement service as determined by the commissioner of financial institutions.

As of June 30, 2015, the school district had certificates of deposits totaling \$5,000,000.

Concentration of Credit Risk:

The school district does not have a limit on the amount the district may invest in any one issuer. The Fargo Public School District's current bond rating by Moody's is Aa3.

NOTE 4: TAXES RECEIVABLE

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable since all delinquent property is sold after five years to satisfy the tax lien.

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

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

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

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

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 school district.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 7: DUE FROM COUNTY TREASURER

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

NOTE 8: CONTRACTS RECEIVABLE

Contracts receivable represent contracts with the Fargo Park District for improvements of district property. The following is a summary of contracts receivable:

\$3,400,000 Contract Receivable for 2009 Lease Revenue Bonds, due in annual installments of \$225,000 to \$315,000 through May 2024, interest at 4.4%-5.2%.	\$2,385,000
\$1,573,724 Contract Receivable for Kennedy Elementary Specials, due in final annual installment of \$31,783 in 2016; interest at 4.70%.	<u>31,783</u>
Total Contracts Receivable	<u>\$2,416,783</u>

NOTE 9: INVENTORIES

Inventories consist of supplies and materials of the general fund and food and supplies for the food service fund. Reported inventories are equally offset by a non-spendable fund balance reserve 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.

Governmental Activities:	Balance July 1	Additions	Deletions	Balance June 30
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,395,198	\$ -	\$ -	\$ 11,395,198
Construction in Progress	9,881,414	17,744,864	1,904,683	25,721,595
Total capital assets, not depreciated	\$ 21,276,612	\$17,744,864	\$1,904,683	\$ 37,116,793
<i>Capital assets, being depreciated:</i>				
Buildings and Improvements	\$211,222,676	\$ 1,904,886	\$ -	\$213,127,562
Vehicles and Equipment	9,039,469	557,970	167,089	9,430,350
Total capital assets, being depreciated	\$220,262,145	\$ 2,462,856	\$ 167,089	\$222,557,912
Less accumulated depreciation for:				
Buildings and Improvements	\$ 51,974,653	\$ 4,418,530	\$ -	\$ 56,393,183
Vehicles and Equipment	5,890,297	487,763	117,851	6,260,209
Total accumulated depreciation	\$ 57,864,950	\$ 4,906,293	\$ 117,851	\$ 62,653,392
Total capital assets being depreciated, net	\$162,397,195	\$(2,443,437)	\$ 49,238	\$159,904,520
Governmental activities capital assets, net	\$183,673,807	\$15,301,427	\$1,953,921	\$197,021,313

The difference between construction in progress deletions and buildings and improvements increase is the result of an adjustment made to buildings.

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

NOTE 11: BOND COST/PREMIUM

The following is a summary of changes in bond premiums for the year ended June 30, 2015.

	Balance July 1	Addition	Bond Premium Amortization	Balance June 30
2005 J-Refunding (98 Const)	\$ 100,242	\$ -	\$ 33,415	\$ 66,827
2007 10M Limited Tax Bond	36,267	-	36,267	-
2008 33M Limited Tax Bond	96,700	-	8,059	88,641
2009 3.4M Lease Revenue Bond	32,757	-	3,275	29,482
2009B 19.650M Lease Rev Bond	166,676	-	27,778	138,898
2012 24.615M Limited Tax Bond	607,459	-	67,496	539,963
2015 9.835M Limited Tax Rfdg Bond	-	161,004	-	161,004
2015(B) 9.750M Limited Tax Rfdg Bond	-	151,347	-	151,347
Net Premium Discount	\$1,040,101	\$312,351	\$176,290	\$1,176,162

NOTE 12: BOND DISCOUNT

The following is a summary of change in bond discount for the year ended June 30, 2015.

	Balance July 1	Addition	Bond Discount Amortization	Balance June 30
2014B (26.97M) Limited Tax Bond	\$57,888	\$ -	\$2,968	\$54,920

A net amount for depreciation and amortization was charged to functions/programs of the school district as follows:

Governmental Activities:	Depreciation	Bond Premium	Bond Discounts	Totals
Regular Instruction	\$2,012,969	\$(80,697)	\$1,358	\$1,933,630
Special Education	708,894	(26,591)	448	682,751
Vocational Education	148,026	(6,107)	103	142,022
Adult Education	21,476	(886)	15	20,605
Pupil Services	120,365	(4,966)	84	115,483
Instructional Staff Services	141,288	(5,829)	98	135,557
General Administrative Services	119,751	(2,881)	49	116,919
School Administrative Services	288,692	(11,294)	190	277,588
Business Services	112,907	(3,709)	62	109,260
Operations and Maintenance	667,644	(18,514)	312	649,442
Pupil Transportation Services	63,753	(2,630)	44	61,167
Co-Curricular	212,447	(4,696)	79	207,830
School Food Services	279,878	(7,152)	120	272,846
Community Services	8,203	(338)	6	7,871
Total Depreciation / Amortization	\$4,906,293	\$(176,290)	\$2,968	\$4,732,971

NOTE 13: ACCOUNTS PAYABLE

Accounts payable consist of amounts on open account for goods and services received prior to June 30 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 14: SALARIES AND BENEFITS PAYABLE

Salaries and benefits payable consist of salaries earned by employees but not paid until after year-end. It also consists of benefits owed to federal, state, and private agencies for amounts withheld from employees' salaries as of June 30.

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

NOTE 15: DUE TO OTHER AGENCIES

Due to other agencies consist of grant carryover funds at June 30 but not paid until after year-end.

NOTE 16: CONTRACTS PAYABLE

Contracts payable consist of retainages payable earned on various construction contracts at June 30 but not paid until after year-end.

NOTE 17: OPERATING LEASES RECEIVABLE

The school district, as lessor, has leased a gymnastics facility at South High School, to American Gold, the YMCA and Moorhead Public School District. The school district has also leased office space in the District Administration Building to the Fargo Public Schools Federal Credit Union. SEEC (Southeast Education Cooperation) leases space in Agassiz School for use as training center for enhanced educational services for numerous schools in the southeastern North Dakota region and Head Start leases space at Madison Elementary for educational support for 3 and 4 year olds who are Head Start eligible. School District property is being leased to the City of Fargo for use as a depository and pick-up for recycling containers and the City of Fargo has a custodial services agreement with our maintenance department. Leases receivable are as follows:

	Year Ending June 30th					TOTAL
	2016	2017	2018	2019	2020	
American Gold Gymnastics	\$ 16,373	\$16,864	\$17,370	\$17,891	\$18,428	\$ 86,926
YMCA	5,113	5,266	5,424	5,587	1,407	22,797
Credit Union	4,023	671	-	-	-	4,694
City of Fargo Recycling	6,375	-	-	-	-	6,375
SENDCAA Head Start	2,797	-	-	-	-	2,797
Moorhead Public Schools	4,667	-	-	-	-	4,667
City of Fargo-Custodial Services	200,509	50,127	-	-	-	250,636
SEEC (Southeast Education Coop.)	17,768	18,301	-	-	-	36,069
TOTAL	\$257,625	\$91,229	\$22,794	\$23,478	\$19,835	\$414,961

NOTE 18: LEASES PAYABLE

Operating Leases – The school district has entered into various lease agreements. The Krider building has been leased from T.S. McLaughlin for vehicle storage and maintenance and a portion of the building is used for our print shop. Riverwood Park is being leased for playing fields for football practices and non-varsity football games. To alleviate parking problems for our employees, the Fargo Public School leases from The Fargo Housing and Redevelopment Authority, twenty parking spaces next to our district office. Also, to alleviate parking problems, approximately 33 acres of the support site for Trollwood Performing Arts Center has been leased to be used as overflow parking during performances. Total costs for all leases were \$123,821 for the year ended June 30, 2015. The future minimum lease payments are as follows:

Year Ending June 30	Krider Building	Riverwood Park	Fargo Housing Authority	Total
2016	\$118,016	\$ 323	\$7,200	\$125,539
2017	59,008	323	-	59,331
2018	-	324	-	324
2019	-	324	-	324
2020	-	324	-	324
2021-2025	-	1,617	-	1,617
2026-2027	-	431	-	431
TOTAL	\$177,024	\$3,666	\$7,200	\$187,890

NOTE 19: LONG-TERM DEBT

Defeasance of Debt:

The school district previously issued a \$10,000,000 Limited Tax Bond, Series 2007 for the purpose of providing funds, together with other funds, for the construction of a new high school, remodeling at other buildings and to furnish and equip the same. During the 2014-2015 school year, the board found it in the best interest of the district, for the purpose of reducing the rate of interest and interest costs, to effect a current refunding of these bonds. To provide funds to effect a current refunding of these bonds the district offered at public sale its \$9,835,000 Limited Tax Refunding Bonds, Series 2015. The effective true interest rate of 2.4304% resulted in a net present value savings (economic gain) of \$1,804,632 and a cash flow savings of \$2,333,995. The present value savings are 15.05% of the refunded debt service.

In 2008, for the purpose of providing additional funds for the construction of a new high school, remodeling at other buildings and to furnish and equip the same, the school district issued a \$33,000,000 Limited Tax Bond, Series 2008. During the 2014-2015 school year, the board found it in the best interest of the district, for the purpose of reducing the rate of interest and interest costs, to effect a crossover refunding of these bonds. To provide funds to effect a crossover refunding of these bonds the district offered at public sale its \$9,750,000 Limited Tax Refunding Bonds, Series 2015(B). On May 1, 2016, the proceeds from the 2015(B) bond will be used to pay \$ 9,635,000 towards the principal of the 2008 bond that was originally scheduled to mature in the years 2024 through 2026 and February 1, 2016 interest costs of \$ 143,542. The effective true interest rate of 1.9117% resulted in a net present value savings (economic gain) of \$2,111,597 and a cash flow savings of \$2,295,100. The present value savings are 17.78% of the refunded debt service.

Prior year defeasance of debt:

In prior years, the school district defeased limited tax bonds by placing the proceeds of advanced refunded bonds in an irrevocable trust with U.S. Bank for the purpose of generating resources for all future debt service payments on the old bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the district's financial statements. At June 30, 2015, no defeased bonds remain outstanding.

Changes in Long-Term Liabilities

The liability for Compensated absences, Sick leave longevity payable, PTO payable and Paid-leave system payable are generally liquidated by the General fund and Food Service funds.

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

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
Limited Tax Bonds Payable	\$ 88,335,000	\$19,585,000	\$14,485,000	\$ 93,435,000	\$14,235,000
Special Assessments	579,492	-	65,326	514,166	66,753
Building Authority Rev. Bonds	18,155,000	-	2,720,000	15,435,000	2,940,000
Compensated Absences	472,853	739,929	748,079	464,703	-
Sick Leave Longevity Payable	456,154	751,895	794,005	414,044	-
PTO Payable	343,519	86,641	73,232	356,928	-
Paid Leave System Payable	1,494,031	1,328,794	888,116	1,934,709	-
Net Pension Liability	134,672,057	-	5,844,852	128,827,205	-
TOTAL	\$244,508,106	\$22,492,259	\$25,618,610	\$241,381,755	\$17,241,753

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

Debt payable at June 30, 2015 is comprised of the following individual issues:

Bonds Payable:

\$24,615,000 Limited Tax Refunding Bonds, Series 2012, Refunding Series 2004(B) Bonds, due in annual installments of \$1,265,000 to \$2,965,000 through May 2023; Interest at 2.00% to 2.25%.	\$19,405,000
\$26,970,000 Limited Tax Bond, Series 2014, for the construction of Ed Clapp Elementary School, various remodeling projects and installing air conditioning in six elementary schools, due in annual installments of \$200,000 to \$4,445,000 through August of 2033; Interest at 3.25% to 4.0%.	26,270,000
\$9,835,000 Limited Tax Refunding Bond, Series 2015, Refunding Series 2007 Bonds, due in annual installments of \$500,000 to \$4,845,000 through August 2027; Interest at 2.0% to 2.5%.	9,835,000
\$33,000,000 Limited Tax Bond, Series 2008, for the construction of Davies High School, due in annual installments of \$1,660,000 to \$11,355,000 through May 2026; Interest at 4.0% to 5.0%.	28,175,000
\$9,750,000 Limited Tax Refunding Bond, Series 2015(B), effecting a crossover refunding of Limited Tax Bond Series 2008, due in annual installments of \$2,255,000 to \$5,595,000 through August 2026; Interest at 2.0%.	<u>9,750,000</u>
Total Bonds Payable	<u>\$93,435,000</u>

Building Authority Revenue Bonds:

\$19,650,000 Lease Revenue Refunding Bonds, Series 2009(B), Refunding Series 2000 Bonds, due in annual installments of \$1,885,000 to \$2,715,000 through May 2020; Interest at 3.25% to 4.0%.	\$11,375,000
\$23,005,000 First Mortgage Revenue Refunding Bonds of 2005, Refunding 1997(B) Bonds, due in annual installments of \$450,000 to \$460,000 through May 2017; Interest at 4.0%.	910,000
\$1,515,000 Lease Revenue Refunding Bonds, Series 2013; Refunding Series 2006 Lease Revenue Bonds, due in annual installments of \$380,000 to \$385,000 through November 2016; Interest at .55% to .60%.	765,000
\$3,400,000 Lease Revenue Bonds of 2009; for the construction of an outdoor swimming pool at Davies High School, due in annual installments of \$225,000 to \$315,000 through May 2024; Interest at 4.4% to 5.2%.	<u>2,385,000</u>
Total Building Authority Revenue Bonds	<u>\$15,435,000</u>

Special Assessments:

Special Assessments Payable represents special assessments levied by the cities of Fargo, ND and Moorhead, MN against the school district for the District's share of the benefit derived from city funded improvements. The special assessments payable are due in annual installments of \$34,370 to \$66,753 through 2029; with interest at 4.7% to 6.0%.	<u>\$ 514,166</u>
Total Long-Term Debt	<u>\$109,384,166</u>

The annual long-term debt service requirements at June 30, 2015, are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending June 30	Limited Tax Bonds		Building Authority Bonds	
	Principal	Interest	Principal	Interest
2016	\$14,235,000	\$ 3,005,561	\$ 2,940,000	\$ 584,895
2017	4,715,000	2,949,369	3,145,000	493,533
2018	4,335,000	2,822,369	2,480,000	391,363
2019	4,465,000	2,694,206	2,720,000	291,203
2020	4,595,000	2,561,481	2,975,000	180,903
2021 – 2025	20,290,000	10,390,756	1,175,000	153,953
2026 – 2030	23,940,000	4,727,716	-	-
2031 – 2034	16,860,000	1,266,488	-	-
TOTALS	\$93,435,000	\$30,417,946	\$15,435,000	\$2,095,850

GOVERNMENTAL ACTIVITIES		
Year Ending June 30	Special Assessments	
	Principal	Interest
2016	\$ 66,753	\$ 30,365
2017	34,970	26,809
2018	34,370	24,747
2019	34,370	22,684
2020	34,370	20,622
2021 – 2025	171,852	72,178
2026 – 2029	137,481	20,624
TOTALS	\$514,166	\$218,029

Year Ending June 30	Total Long-Term Debt	
	Principal	Interest
2016	\$ 17,241,753	\$ 3,620,821
2017	7,894,970	3,469,711
2018	6,849,370	3,238,479
2019	7,219,370	3,008,093
2020	7,604,370	2,763,006
2020 – 2025	21,636,852	10,616,887
2026 – 2030	24,077,481	4,748,340
2031 – 2034	16,860,000	1,266,488
TOTALS	\$109,384,166	\$32,731,825

NOTE 20: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent Food Service commodity inventory, lunch credits and amounts reported for uncollected taxes receivable and uncollected contracts receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, commodity inventory, lunch credits, uncollected taxes receivable and uncollected contracts receivable are measurable but not available. Deferred inflows of resources in the Statement of Net position represent Food Service commodity inventory, and lunch credits, as well as the difference between the projected and actual investment earnings of the retirement plans, while the deferred outflows of resources in the Statement of Net Position represent the difference between expected and actual experience.

NOTE 21: PENSION PLANS

Summary of Significant Accounting Policies

Pensions:

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

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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

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

Tier 2

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

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

Death and Disability Benefits

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

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 service credited service in North Dakota, and (c) the Board of trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches a 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 70 ½. 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.

Inflows of Resources Related to Pensions

At June 30, 2015, the Board of Education of the City of Fargo reported a liability of \$114,153,013 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2014, the district's proportion was 10.894306 percent.

For the year ended June 30, 2015, the district recognized pension expense of \$6,938,974. At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 872,853	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	12,968,047
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
District Contributions Subsequent to the Measurement Date	8,343,674	-
TOTAL	\$9,216,527	\$12,968,047

\$8,343,674, reported as deferred outflows of resources related to pensions resulting from district 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:

2016	\$(3,096,536)
2017	(3,096,536)
2018	(3,096,536)
2019	(3,096,536)
2020	145,475
Thereafter	145,475

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 (General Records Schedules) 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 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
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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate.

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the district'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%)
District's Proportionate Share of the Net Pension Liability	\$154,127,748	\$114,153,013	\$80,533,097

Pension Plan Fiduciary Net Position

Detailed information is located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. Additional financial and actuarial information is available on their website, www.nd.gov/rio, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main 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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). 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 equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently re-employed, 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
26 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 contributions 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 Board of Education of the City of Fargo reported a liability of \$14,674,193 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At July 1, 2014, the district's proportion was 2.311911 percent.

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

For the year ended June 30, 2015, the district recognized pension expense of \$1,451,938. At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 475,759	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	2,864,462
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
District Contributions Subsequent to the Measurement Date	1,833,699	-
TOTAL	\$2,309,458	\$2,864,462

\$1,833,699, reported as deferred outflows of resources related to pensions resulting from district 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.

2016	\$(614,890)
2017	(614,890)
2018	(614,890)
2019	(614,890)
2020	70,858
Thereafter	-

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 retirees, mortality rates are based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not setback 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 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:

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

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%	.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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate.

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the district'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%)
District's Proportionate Share of the Net Pension Liability	\$22,631,941	\$14,674,193	\$80,020,419

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2014. The supporting actuarial information is included in the June 30, 2014, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at: North Dakota Public Employees Retirement System, 400 E Broadway Ave Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 22: RISK MANAGEMENT

The Board of Education of the City of Fargo 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.

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

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 school district pays an annual premium to NDRIF for its general liability, automobile insurance coverage and inland marine. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and two million dollars per occurrence for automobile coverage. Mobile equipment and portable property is limited to losses of \$2,506,171 for scheduled music property and \$13,178,732 for computerized business equipment. Buildings are limited at \$362,929,521, personal property at \$27,627,833 and band equipment at \$ 3,491,104.

The State Bonding Fund currently provides the school 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 school district has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

The school district has retained risk for employee health and dental insurance up to a maximum of \$200,000 per year per individual. They have purchased a stop loss policy for amounts in excess of 120% of expected claims.

No reductions in insurance coverage in any major category of risk have occurred and there have been no settlements in excess of insurance coverage in any of the three prior years.

Claims, which have been incurred at year-end but not reported, have been recorded as a claim reserve payable in the amount of \$1,393,126. Blue Cross Blue Shield, the plan administrator, has calculated this reserve requirement. Changes in the claim reserve payable during the past two years are as follows:

	Year Ended 6-30-15	Year Ended 6-30-14
Unpaid Claims July 1	\$ 1,465,670	\$ 1,185,185
Incurred Claims Including IBNR's	13,501,305	11,504,592
Less: Claims Paid	13,573,849	11,224,107
Unpaid Claims June 30	\$ 1,393,126	\$ 1,465,670

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

NOTE 23: CONSTRUCTION COMMITMENTS

The school district had twelve construction projects remaining as of June 30, 2015. Five schools are in the process of having major HVAC projects completed which include the installation of air conditioning in buildings that were never originally designed for air conditioning when built, along with upgrades to their heating systems. The Centennial school gym addition and the Ed Clapp elementary school are nearing completion. McKinley and Hawthorne schools are getting new windows and the Longfellow school is getting a new roof. In the spring of 2014, the City of Fargo was notified by the Flood Diversion Authority that the Fargo Public schools warehouse and central kitchen would need to be demolished for the construction of a future floodwall.

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

\$10,000,000 will be the estimated cost to build a new warehouse/central kitchen facility with \$8,000,000 expected in reimbursements by the Flood Diversion Authority. At the February 24, 2015 board meeting, the members unanimously approved the construction of a major addition and remodeling to the Eagles Center which will convert it into a three section, K-5 elementary school scheduled to open in the fall of 2016. At year-end the district's commitments with contractors were as follows:

Project	Contract	Completed	Retainage	Commitment
Centennial Gym	\$ 2,342,872	\$2,342,307	\$ -	\$ 565
Operations Center	10,000,000	44,253	-	9,955,747
Longfellow Roofing	180,141	180,141	8,585	8,585
Clara Barton HVAC	1,646,816	1,642,167	5,023	9,672
Lewis & Clark HVAC	2,121,302	2,104,525	5,557	22,334
McKinley HVAC	1,664,747	1,664,747	2,185	2,185
McKinley Windows	266,687	228,500	10,437	48,624
Hawthorne Windows	229,496	228,396	10,060	11,160
Eagles Elementary	9,576,549	123,727	-	9,452,822
Horace Mann HVAC	1,655,847	1,655,847	12,529	12,529
Roosevelt HVAC	1,828,237	1,825,295	-	2,942
Ed Clapp Elementary	15,618,470	14,377,925	625,181	1,865,727
TOTALS	\$47,131,164	\$26,417,830	\$679,557	\$21,392,892

NOTE 24: POST-RETIREMENT BENEFITS

EARLY RETIREMENT AGREEMENT

The Board of Education of the City of Fargo offers early retirement payments to employees under Administrative Policy 5452 "Longevity Recognition Payment". Under Administrative Policy 5452 all full time or part time benefitted employees are eligible for a one-time payment based on the number of accumulated legacy sick leave days the employee has at the time of their termination of employment. The two criteria required for the payment are:

1. The employee will be eligible to participate in this plan after 15 years of continuous service to the Fargo Public Schools in a benefitted position.
2. The employee has been determined eligible for normal retirement benefits as defined by either NDPERS or TFFR. Normal retirement benefits are defined as being age 65 or older, or having met the rule of 85.

The payment will be computed based on the employee's number of accumulated legacy sick leave days at the time of termination of employment in the following manner:

1. At 15 years of service, assuming all eligibility criteria have been met, the employee will receive 80% of this payment.
2. For each subsequent year, the payment will increase by 2% through the 25th year of service, at which time the employee will receive 100% of this payment.
3. Beginning in 2016 all payments for those with 15 years of service and beyond will be \$50.00 per legacy sick day.
4. The specific rate for the coming years will be structured as indicated:
 - 2015-2016 \$100.00 per legacy sick day.
 - 2016-Beyond \$ 50.00 per legacy sick day.
5. Grandfather clause: Any benefitted employee who is eligible for full retirement benefits through NDPERS or TFFR as of 7/1/2013 will have payments calculated at the 2013-2014 level of \$200.00 per day upon retirement from the District.

BOARD OF EDUCATION OF THE CITY OF FARGO
Notes to the Financial Statements - Continued

For the year ended June 30, 2015 the school district had 30 employees who received this benefit at a cost to the school district of \$ 794,005.

NOTE 25: 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	Explanation
General Fund	\$ 873,950	\$ 7,028,069	To finance programs in other funds
Student Activities	3,320,900	-	Eliminate deficits
Food Service	75,211	260,000	Reimburse expenses paid by district
Debt Service	20,366,475	-	Bond principal & interest transfers
Capital Projects Fund	483,597	17,832,064	Bond principal & Interest transfers
Total Transfers	\$25,120,133	\$25,120,133	

Transfers are used to move revenues from the fund with collection authorization to the debt service funds as principal and interest payments become due, to close out old debt service funds and to move unrestricted fund revenues to finance various programs that the school district must account for in other funds.

NOTE 26: CONTINGENT LIABILITIES

The School District is a defendant in various lawsuits incident to its operations. In the opinion of the School District Counsel and management, such claims against the District not covered by insurance would not materially affect the financial condition of the School District.

NOTE 27: PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 68 Pensions:

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The result of implementing GASB 68 reduced beginning net position by a total of (\$134,672,057) consisting of the net pension liability related to the North Dakota Teacher's Fund for Retirement (NDTFFR) totaling (\$126,107,598), and the net pension liability related to the North Dakota Public Employees Retirement System (NDPERS) totaling (\$16,972,049), less contributions made to those retirement plans totaling \$8,407,590.

Government Activities	Amounts
Beginning Net Position, as previously reported	\$ 144,125,881
Adjustments to restate the July 1, 2014 Net Position	
Net Pension Liability – NDTFFR	(126,107,598)
Net Pension Liability – NDPERS	(16,972,049)
Fiscal Year 2014 Contributions – NDTFFR	6,792,660
Fiscal Year 2014 Contributions – NDPERS	1,614,930
Net Position July 1, 2014 as restated	\$ 9,453,824

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
General Fund
For the Year Ended June 30, 2015 (Summarized Comparative Totals 2014)

	Budgeted Amounts		2015 Actual Amounts	Variance With	2014
	Original	Final		Final Budget Positive (Negative)	
Revenues:					
Property Taxes	\$ 40,197,000	\$ 40,197,000	\$ 40,448,465	\$ 251,465	\$ 40,408,873
Other Local Sources	3,137,605	3,841,975	3,980,881	138,906	3,931,680
State Sources	96,820,667	96,906,824	94,885,888	(2,020,936)	91,190,111
Federal Sources	7,825,305	8,622,950	8,141,404	(481,546)	7,499,358
Other Sources	225,000	225,000	210,875	(14,125)	226,615
Total Revenues	\$ 148,205,577	\$ 149,793,749	\$ 147,667,513	\$ (2,126,236)	\$ 143,256,637
Expenditures:					
Instruction:					
Regular	\$ 69,812,999	\$ 70,879,276	\$ 68,965,147	\$ 1,914,129	\$ 64,708,323
Special Education	22,546,956	22,583,098	22,724,862	(141,764)	21,050,947
Vocational Education	5,232,866	5,295,081	5,219,095	75,986	5,158,907
Adult Education	743,334	843,414	757,214	86,200	655,834
Total Instruction	\$ 98,336,155	\$ 99,600,869	\$ 97,666,318	\$ 1,934,551	\$ 91,574,011
Support Services:					
Pupil Services	\$ 4,110,062	\$ 4,198,174	\$ 4,243,820	\$ (45,646)	\$ 3,985,241
Instructional Staff Services	5,245,663	5,239,506	4,981,551	257,955	4,942,322
General Administration Services	2,533,823	2,615,417	2,461,995	153,422	2,373,137
School Administration Services	9,839,601	9,692,642	9,652,255	40,387	9,238,871
Business Services	3,355,427	3,335,095	3,169,752	165,343	2,970,763
Operations and Maintenance	16,141,614	16,215,255	15,819,734	395,521	17,357,834
Pupil Transportation Services	2,366,394	2,311,142	2,247,814	63,328	2,286,381
Co-Curricular	216,678	214,403	217,573	(3,170)	247,410
Community Services	293,412	290,410	289,205	1,205	274,508
Total Support Services	\$ 44,102,674	\$ 44,112,044	\$ 43,083,699	\$ 1,028,345	\$ 43,676,467
Capital Outlay	\$ -	\$ 35,000	\$ 33,595	\$ 1,405	\$ -
Total Expenditures	\$ 142,438,829	\$ 143,747,913	\$ 140,783,612	\$ 2,964,301	\$ 135,250,478
Excess of Revenues Over (Under) Expenditures	\$ 5,766,748	\$ 6,045,836	\$ 6,883,901	\$ 838,065	\$ 8,006,159
Other Financing Sources (Uses):					
Sale of Capital Assets	\$ 20,000	\$ 20,000	\$ 17,631	\$ (2,369)	\$ 13,203
Transfers In	1,364,889	1,279,002	873,950	(405,052)	1,063,613
Transfers Out	(7,468,125)	(7,468,125)	(7,028,069)	440,056	(7,274,597)
Total Other Financing Sources (Uses)	\$ (6,083,236)	\$ (6,169,123)	\$ (6,136,488)	\$ 32,635	\$ (6,197,781)
Net Change in Fund Balances	\$ (316,488)	\$ (123,287)	\$ 747,413	\$ 870,700	\$ 1,808,378
Fund Balance - July 1	\$ 28,228,428	\$ 28,228,428	\$ 28,228,428	\$ -	\$ 26,420,050
Fund Balance - June 30	\$ 27,911,940	\$ 28,105,141	\$ 28,975,841	\$ 870,700	\$ 28,228,428

The accompanying notes to the required supplementary information are an integral part of this financial statement.

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August twenty-fifth. The governing body of the school district may amend its tax levy and budget on or before the tenth day of October of each year but the certification must be filed with the county auditor within the time limitations as outlined in NDCC 57-15-31.1.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the business manager at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2: SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY ND TEACHERS' FUND FOR RETIREMENT (TFFR)

Schedule of Employer's Share of Net Pension Liability
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

1. District's proportion of the net pension liability (asset)	10.894306%
2. District's proportionate share of the net pension liability (asset)	\$114,153,013
3. District's covered-employee payroll	\$ 63,192,777
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.64%
5. Plan fiduciary net position as a percentage of the total pension liability	66.6%

*Complete data for this schedule is not available prior to 2015.

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Required Supplementary Information - Continued

NOTE 3: SCHEDULE OF EMPLOYER CONTRIBUTIONS ND TEACHERS' FUND FOR RETIREMENT (TFFR)Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years*

Statutorily required contribution	\$ 6,793,160
Contributions in relation to the statutorily required contribution	\$(6,793,160)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$63,192,777
Contributions as a percentage of covered-employee payroll	10.75%

*Complete data for this schedule is not available prior to 2015.

NOTE 4: SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

1. District's proportion of the net pension liability (asset)	2.311911%
2. District's proportionate share of the net pension liability (asset)	\$14,674,193
3. District's covered-employee payroll	\$19,475,053
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability	77.70%

*Complete data for this schedule is not available prior to 2015.

NOTE 5: SCHEDULE OF EMPLOYER CONTRIBUTIONS ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

Statutorily required contribution	\$ 1,386,624
Contributions in relation to the statutorily required contribution	\$(1,386,624)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$19,475,053
Contributions as a percentage of covered-employee payroll	7.12%

*Complete data for this schedule is not available prior to 2015.

BOARD OF EDUCATION OF THE CITY OF FARGO
 Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY
 For the Year Ended June 30, 2015

	Balance 7-1-14	Revenue	Transfers In	Other Financing Sources	Other Transfers Out	Expenditures	Balance 6-30-15
(10) General Fund	\$ 28,228,428	\$ 147,667,513	\$ 873,950	\$ 17,631	\$ 7,028,069	\$ 140,783,612	\$ 28,975,841
Special Revenue Funds:							
(50) Food Service	\$ 2,687,520	\$ 6,021,511	\$ 75,211	\$ 3,076	\$ 260,000	\$ 6,111,901	\$ 2,415,417
(60) Student Activities	-	474,453	3,320,900	-	-	3,795,353	-
Total Special Revenue Funds	\$ 2,687,520	\$ 6,495,964	\$ 3,396,111	\$ 3,076	\$ 260,000	\$ 9,907,254	\$ 2,415,417
Debt Service Funds:							
(40) District	\$ -	\$ -	\$ 17,451,820	\$ (10,000,000)	\$ -	\$ 7,451,820	\$ -
Building Authority:							
Project 000	-	-	11,702	-	-	11,702	-
(F) (Project 004) - 13 Lease Revenue Bonds	-	-	380,244	-	-	380,244	-
(G) (Project 007) - 09 Lease Revenue Bonds	11	21	2,183,649	-	-	2,183,662	19
(K) (Project 016) - 09 Lease Revenue Bonds	2	3	339,060	-	-	339,063	2
Total Building Authority Debt Service	\$ 13	\$ 24	\$ 2,914,655	\$ -	\$ -	\$ 2,914,671	\$ 21
Total Debt Service Funds	\$ 13	\$ 24	\$ 20,366,475	\$ (10,000,000)	\$ -	\$ 10,366,491	\$ 21
Capital Projects Funds:							
(30-39) District	\$ 28,535,310	\$ 7,747,084	\$ -	\$ 20,112,351	\$ 17,832,064	\$ 18,263,403	\$ 20,299,278
Building Authority:							
(J) (Project 008) 05 Rfdg (98 Const)	3	4	483,597	-	-	483,600	4
Total Capital Projects Funds	\$ 28,535,313	\$ 7,747,088	\$ 483,597	\$ 20,112,351	\$ 17,832,064	\$ 18,747,003	\$ 20,299,282
Total Governmental Funds	\$ 59,451,274	\$ 161,910,589	\$ 25,120,133	\$ 10,133,058	\$ 25,120,133	\$ 179,804,360	\$ 51,690,561
Internal Service Fund:							
(80) Health Insurance	\$ 7,522,500	\$ 16,418,480	\$ -	\$ -	\$ -	\$ 17,187,340	\$ 6,753,640
Agency Funds:							
(70) Agency Fund	\$ -	\$ 5,599,989	\$ 39	\$ -	\$ 39	\$ 5,599,989	\$ -
(90) Evaluation Training Center	-	2,218,822	-	-	-	2,218,822	-
Total Agency Funds	\$ -	\$ 7,818,811	\$ 39	\$ -	\$ 39	\$ 7,818,811	\$ -
Total All Funds	\$ 66,973,774	\$ 186,147,880	\$ 25,120,172	\$ 10,133,058	\$ 25,120,172	\$ 204,810,511	\$ 58,444,201

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015 (Summarized Comparative Totals at June 30, 2014)

	Food	Student	Total	
	Service	Activities	2015	2014
<u>ASSETS</u>				
Cash and Investments	\$ 2,624,259	\$ 3,100	\$ 2,627,359	\$ 2,912,520
Receivables:				
Accounts	1,086	170	1,256	11,122
Intergovernmental	7,307	-	7,307	5,408
Other Asset	13,296	-	13,296	-
Inventories	14,658	-	14,658	14,070
Total Assets	\$ 2,660,606	\$ 3,270	\$ 2,663,876	\$ 2,943,120
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ -	\$ 3,270	\$ 3,270	\$ 39,447
Salaries and Benefits Payable	87,261	-	87,261	79,205
Total Liabilities	\$ 87,261	\$ 3,270	\$ 90,531	\$ 118,652
<u>Deferred Inflows of Resources:</u>				
Food Service Commodity Inventory	\$ 4,245	\$ -	\$ 4,245	\$ 4,748
Food Service Lunch Credits	153,683	-	153,683	132,200
Total Deferred Inflows of Resources	\$ 157,928	\$ -	\$ 157,928	\$ 136,948
<u>Fund Balances:</u>				
<u>Nonspendable:</u>				
Inventories	\$ 10,413	\$ -	\$ 10,413	\$ 9,322
<u>Assigned:</u>				
Food Service	2,405,004	-	2,405,004	2,678,198
Total Fund Balances	\$ 2,415,417	\$ -	\$ 2,415,417	\$ 2,687,520
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,660,606	\$ 3,270	\$ 2,663,876	\$ 2,943,120

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Years Ended June 30, 2015 (Summarized Comparative Totals 2014)

	Food Service	Student Activities	Total	
			2015	2014
<u>Revenues:</u>				
Local Sources	\$ 3,392,819	\$ 474,453	\$ 3,867,272	\$ 3,984,431
State Sources	59,889	-	59,889	52,331
Federal Sources	2,568,803	-	2,568,803	2,381,996
Total Revenues	\$ 6,021,511	\$ 474,453	\$ 6,495,964	\$ 6,418,758
<u>Expenditures:</u>				
Current:				
Food Service Outlays	\$ 6,111,901	\$ -	\$ 6,111,901	\$ 6,013,613
Extracurricular	-	3,795,353	3,795,353	4,254,771
Total Expenditures	\$ 6,111,901	\$ 3,795,353	\$ 9,907,254	\$ 10,268,384
Excess of Revenues Over (Under) Expenditures	\$ (90,390)	\$ (3,320,900)	\$ (3,411,290)	\$ (3,849,626)
<u>Other Financing Sources (Uses):</u>				
Sale of District Items	\$ 3,076	\$ -	\$ 3,076	\$ 2,500
Transfers In	75,211	3,320,900	3,396,111	3,881,246
Transfers Out	(260,000)	-	(260,000)	(260,000)
Total Other Financing Sources and Uses	\$ (181,713)	\$ 3,320,900	\$ 3,139,187	\$ 3,623,746
Net Change in Fund Balances	\$ (272,103)	\$ -	\$ (272,103)	\$ (225,880)
Fund Balance - July 1	\$ 2,687,520	\$ -	\$ 2,687,520	\$ 2,913,400
Fund Balance - June 30	\$ 2,415,417	\$ -	\$ 2,415,417	\$ 2,687,520

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
For the Year Ended June 30, 2015 (Summarized Comparative Totals 2014)

	Budgeted Amounts		2015 Actual	Variance With Final Budget Positive (Negative)	2014
	Original	Final			
<u>Revenues:</u>					
Local Sources	\$ 3,497,700	\$ 3,497,700	\$ 3,392,819	\$ (104,881)	\$ 3,539,280
State Sources	50,000	50,000	59,889	9,889	52,331
Federal Sources	2,320,000	2,320,000	2,568,803	248,803	2,381,996
Total Revenues	\$ 5,867,700	\$ 5,867,700	\$ 6,021,511	\$ 153,811	\$ 5,973,607
<u>Expenditures:</u>					
Current:					
School Food Services	\$ 6,280,915	\$ 6,280,915	\$ 6,111,901	\$ 169,014	\$ 6,013,613
Excess (Deficiency) of Revenues Over Expenditures	\$ (413,215)	\$ (413,215)	\$ (90,390)	\$ 322,825	\$ (40,006)
<u>Other Financing Sources (Uses):</u>					
Sale of District Items	\$ 3,000	\$ 3,000	\$ 3,076	\$ 76	\$ 2,500
Transfers In	50,000	50,000	75,211	25,211	71,626
Transfers Out	(260,000)	(260,000)	(260,000)	-	(260,000)
Total Other Financing Sources and Uses	\$ (207,000)	\$ (207,000)	\$ (181,713)	\$ 25,287	\$ (185,874)
Net Change in Fund Balances	\$ (620,215)	\$ (620,215)	\$ (272,103)	\$ 348,112	\$ (225,880)
Fund Balance - July 1	\$ 2,687,520	\$ 2,687,520	\$ 2,687,520	\$ -	\$ 2,913,400
Fund Balance - June 30	\$ 2,067,305	\$ 2,067,305	\$ 2,415,417	\$ 348,112	\$ 2,687,520

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
STUDENT ACTIVITIES FUND
For the Year Ended June 30, 2015 (Summarized Comparative Totals 2014)

	Budgeted Amounts		2015 Actual	Variance With Final Budget Positive (Negative)	2014
	Original	Final			
<u>Revenues:</u>					
Local Sources	\$ 440,000	\$ 440,000	\$ 474,453	\$ 34,453	\$ 445,151
<u>Expenditures:</u>					
Current:					
Co-Curricular	\$ 4,002,290	\$ 4,002,290	\$ 3,795,353	\$ 206,937	\$ 4,254,771
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,562,290)	\$ (3,562,290)	\$ (3,320,900)	\$ 241,390	\$ (3,809,620)
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 3,562,290	\$ 3,562,290	\$ 3,320,900	\$ (241,390)	\$ 3,809,620
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ -

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

FUNDS 40 & PROJECTS 000-018
For the Year Ended June 30, 2015 (Summarized Comparative Totals 2014)

	Budgeted Amounts		2015 Actual	Variance With Final Budget Positive (Negative)	2014
	Original	Final			
<u>Revenues:</u>					
Local Sources	\$ -	\$ -	\$ 24	\$ 24	\$ 16
<u>Expenditures:</u>					
<u>Debt Service:</u>					
Principal	\$ 6,775,000	\$ 6,775,000	\$ 6,775,000	\$ -	\$ 5,810,000
Interest and Service Charges	3,589,799	3,589,799	3,591,491	(1,692)	3,051,986
Total Expenditures	<u>\$ 10,364,799</u>	<u>\$ 10,364,799</u>	<u>\$ 10,366,491</u>	<u>\$ (1,692)</u>	<u>\$ 8,861,986</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (10,364,799)</u>	<u>\$ (10,364,799)</u>	<u>\$ (10,366,467)</u>	<u>\$ (1,668)</u>	<u>\$ (8,861,970)</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 10,364,799	\$ 10,364,799	\$ 20,366,475	\$ 10,001,676	\$ 8,861,983
Payment to Refunded Bond Escrow Agent	-	-	(10,000,000)	(10,000,000)	-
Total Other Financing Sources and Uses	<u>\$ 10,364,799</u>	<u>\$ 10,364,799</u>	<u>\$ 10,366,475</u>	<u>\$ 1,676</u>	<u>\$ 8,861,983</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 13</u>
Fund Balance - July 1	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance - June 30	<u><u>\$ 13</u></u>	<u><u>\$ 13</u></u>	<u><u>\$ 21</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 13</u></u>

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FUNDS 30-39 & J (PROJECT 008)
For the Year Ended June 30, 2015 (Summarized Comparative Totals 2014)

	Budgeted Amounts		2015 Actual	Variance With	2014
	Original	Final		Final Budget Positive (Negative)	
<u>Revenues:</u>					
Local Sources	\$ 7,683,700	\$ 7,683,700	\$ 7,747,088	\$ 63,388	\$ 7,759,511
<u>Expenditures:</u>					
Operations and Maintenance	\$ 5,000	\$ 5,000	\$ 2,150	\$ 2,850	\$ 2,675
Capital Outlay	21,257,100	19,406,123	17,748,966	1,657,157	7,572,703
<u>Debt Service:</u>					
Principal	743,000	743,000	611,450	131,550	599,443
Interest	92,600	92,600	87,452	5,148	107,477
Bond Costs	-	-	296,985	(296,985)	306,849
Total Expenditures	\$ 22,097,700	\$ 20,246,723	\$ 18,747,003	\$ 1,499,720	\$ 8,589,147
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,414,000)	\$ (12,563,023)	\$ (10,999,915)	\$ 1,563,108	\$ (829,636)
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	\$ 215,000	\$ 215,000	\$ 215,000	\$ -	\$ 210,000
Proceeds of Debt Issuance	-	-	19,585,000	19,585,000	26,970,000
Discount on the Sale of Bonds	-	-	-	-	(57,888)
Premium on the Sale of Bonds	-	-	312,351	312,351	-
Transfers In	483,600	483,600	483,597	(3)	485,200
Transfers Out	(7,832,064)	(7,832,064)	(17,832,064)	(10,000,000)	(6,757,445)
Total Other Financing Sources and Uses	\$ (7,133,464)	\$ (7,133,464)	\$ 2,763,884	\$ 9,897,348	\$ 20,849,867
Net Change in Fund Balances	\$ (21,547,464)	\$ (19,696,487)	\$ (8,236,031)	\$ 11,460,456	\$ 20,020,231
Fund Balance - July 1	\$ 28,535,313	\$ 28,535,313	\$ 28,535,313	\$ -	\$ 8,515,082
Fund Balance - June 30	\$ 6,987,849	\$ 8,838,826	\$ 20,299,282	\$ 11,460,456	\$ 28,535,313

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor / Program Title or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>		
<u>Passed through the State Department of Public Instruction:</u>		
National School Lunch Program	10.555	*** \$ 1,685,147
National School Lunch Program - Commodities	10.555	** 296,722
School Breakfast Program	10.553	376,840
Child Nutrition Cluster		*** \$ 2,358,709
Child and Adult Care Food Program	10.558	\$ 13,573
Summer School Food Program for Children	10.559	6,609
Food Distribution Program on Indian Reservations	10.567	-
Fresh Fruit and Vegetable Program	10.582	207,308
Total U.S. Department of Agriculture		\$ 2,586,199
<u>U.S. DEPARTMENT OF DEFENSE:</u>		
<u>Passed through the National Security Agency:</u>		
Language Grant Program	12.900	\$ 111,712
<u>U.S. DEPARTMENT OF EDUCATION:</u>		
<u>Passed through the State Department of Public Instruction:</u>		
Adult Education - Basic Grants to States	84.002	\$ 254,277
Title I Grants to Local Education Agencies	84.010	*** 3,379,505
Title I Cluster		\$ 3,633,782
Special Education_Grants to States	84.027	*** \$ 2,772,669
Special Education_Preschool Grants	84.173	52,239
Special Education Cluster		\$ 2,824,908
Education for Homeless Children and Youth	84.196	\$ 9,720
Twenty-First Century Community Learning Centers	84.287C	*** 1,206,341
English Language Acquisition State Grants	84.365A	175,685
Improving Teacher Quality State Grants	84.367A	*** 938,730
<u>Passed through the University of South Dakota:</u>		
Investing in Innovation Fund - Scale-up Grants to States	84.396A	13,500
<u>Passed through the Department of Career & Technical Education:</u>		
Career and Technical Education - Basic Grants to States	84.048A	255,418
Total Department of Education		\$ 9,058,084
<u>U.S. DEPARTMENT OF HUMAN SERVICES:</u>		
<u>Passed through State Department of Public Instruction:</u>		
Refugee and Entrant Assistance-Discretionary Grants	93.576	\$ 32,171
Total Expenditures of Federal Awards		\$ 11,788,166

** - noncash assistance

*** - major program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board of Education of the City of Fargo under programs of the federal government for the year ended June 30, 2015. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Board of Education of the City of Fargo, it is not intended to and does not present the financial position or changes in net position of the Board of Education of the City of Fargo.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

Governing Board
Board of Education of the City of Fargo
Fargo, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Fargo, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board of Education of the City of Fargo's basic financial statements, and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Education of the City of Fargo'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 the Board of Education of the City of Fargo's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the City of Fargo's internal control.

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

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

Compliance and Other Matters

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

BOARD OF EDUCATION OF THE CITY OF FARGO

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

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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 15, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDEAL PROGRAM; REPORT OF INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of Education of the City of Fargo
Fargo, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Board of Education of the City of Fargo'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 the Board of Education of the City of Fargo's major federal programs for the year ended June 30, 2015. The Board of Education of the City of Fargo'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 the Board of Education of the City of Fargo'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 the Board of Education of the City of Fargo'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 Board of Education of the City of Fargo's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board of Education of the City of Fargo 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.

BOARD OF EDUCATION OF THE CITY OF FARGO

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of the Board of Education of the City of Fargo is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board of Education of the City of Fargo'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 the Board of Education of the City of Fargo'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 weakness 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Board of Education of the City of Fargo as of and for the year ended June 30, 2015, and have issued our report thereon dated October 15, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 15, 2015

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Board of Education of the City of Fargo
Fargo, North Dakota

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Board of Education of the City of Fargo, North Dakota, as of and for the year ended June 30, 2015, which collectively comprise the Board of Education of the City of Fargo’s basic financial statements and have issued our report thereon dated October 15, 2015. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133

As stated in our engagement letter dated September 9, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Board of Education of the City of Fargo, North Dakota’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Board of Education of the City of Fargo, North Dakota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Board of Education of the City of Fargo, North Dakota’s compliance with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Board of Education of the City of Fargo, North Dakota’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Board of Education of the City of Fargo, North Dakota’s compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Board of Education of the City of Fargo are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

BOARD OF EDUCATION OF THE CITY OF FARGO
Management's Letter - Continued

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated October 15, 2015.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the county's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

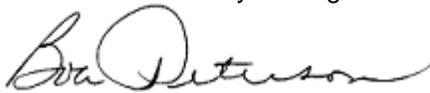
We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of the Board of Education of the City of Fargo, North Dakota and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the Board of Education of the City of Fargo for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the Board of Education of the City of Fargo.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 15, 2015

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