



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

Audit Report

For the Year Ended June 30, 2018

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

BOARD OF EDUCATION OF THE CITY OF FARGO

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BOARD OF EDUCATION OF THE CITY OF FARGO

School Board and Audit Personnel

June 30, 2018

SCHOOL BOARD

Rebecca Knutson	President
Kristi Ulrich	Vice President
Brandi Aune	Board Member
David Paulson	Board Member
Dinah Goldenberg	Board Member
Jennifer Benson	Board Member
Jim Johnson	Board Member
John Rodenbiker	Board Member
Linda Boyd	Board Member

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Heath Erickson, CPA	Audit In-Charge

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701)239-7250

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OFFICE OF THE STATE AUDITOR
STATE CAPITAL
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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Board of Education of the City of Fargo's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, the Board of Education of the City of Fargo adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than 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, budgetary comparison schedule - general fund, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and the notes to the required supplementary information* on pages 4-15 and 50-54 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

Other information of the Board of Education of the City of Fargo consists of 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 schedules - nonmajor funds, debt service fund & capital projects fund, and schedule of expenditures of federal awards, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

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 *other information* is presented for purposes of additional analysis and are not a required part of the financial statements.

The *other 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. 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 *other information* 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 November 21, 2018 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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 21, 2018

BOARD OF EDUCATION OF THE CITY OF FARGO

Management's Discussion and Analysis
For the Year Ended June 30, 2018

As management of the Board of Education of the City of Fargo (also known as 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, 2018. 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 and deferred outflows of the Fargo Public School District exceeded its liabilities and deferred inflows of resources (net position) at the close of the most recent fiscal year by \$21,677,620. Of this amount, (\$105,983,839) (unrestricted net position) being a negative number, it cannot be used to meet ongoing obligations.
- The Fargo Public School District's total net position decreased by \$1,233,191 as a result of the current year's operation.
- The Fargo Public School District's total revenues from all sources were \$179,355,067. Total expenses were \$180,588,258.
- At the close of the current fiscal year, the Fargo Public School District's governmental funds reported combined ending fund balances of \$49,988,173, a decrease of \$136,573 in comparison with the prior year. Approximately 63.4%, or \$31,705,843, is available for spending through an unassigned fund balance.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 Fargo Public 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.

Both of the government-wide financial statements distinguish functions of the Fargo Public 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.

The table below summarizes the major features of the School District’s financial statements, including portions of the School 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.

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 – 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 and 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 Fargo Public School District's net position is segregated into three categories: net Investment in capital assets, restricted, and unrestricted. 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 the district's resources that are subject to external restrictions on how they may be used. Unrestricted net position represents the remaining resources. The large negative unrestricted net position balance is solely due to the net pension and OPEB liability and related deferred inflows and outflows of resources. The pension and OPEB 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 pension and OPEB items, the unrestricted net position would have improved and would be \$41,678,547. That amount of unrestricted net position is available to meet the School District's ongoing obligations. We believe the amount of unrestricted net position, not considering the effects of pension and OPEB items, is sufficient to meet our ongoing obligations.

NET POSITION

	2018	2017
Assets		
Current and Non-Current assets	\$ 73,416,270	\$ 70,492,392
Capital assets (net of depreciation)	207,469,728	209,644,394
Total Assets	<u>\$ 280,885,998</u>	<u>\$ 280,136,786</u>
Deferred Outflows of Resources		
Derived from Pension and OPEB	<u>\$ 39,558,304</u>	<u>\$ 42,611,621</u>
Liabilities		
Current Liabilities	\$ 16,865,184	\$ 15,390,036
Long Term Liabilities	274,552,206	277,736,217
Total Liabilities	<u>\$ 291,417,390</u>	<u>\$ 293,126,253</u>
Deferred Inflows of Resources		
Derived from Pension and OPEB	<u>\$ 7,349,292</u>	<u>\$ 5,068,776</u>
Net Position		
Net Investment in Capital Assets	\$ 113,894,583	\$ 108,609,580
Restricted	13,766,876	14,470,638
Unrestricted	<u>(105,983,839)</u>	<u>(98,526,840)</u>
Total Net Position	<u>\$ 21,677,620</u>	<u>\$ 24,553,378</u>

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

Current assets increased mainly from an increase in cash and investments and capital assets decreased due to depreciation. The deferred outflows of resources decreased with the change in difference between projected and actual earnings on pension and OPEB investments. Current liabilities increased as a result of timing of salaries and benefits payable at year end. Long-term liabilities due within one year increased from higher amounts payable for bonds in the coming year. Long-term liabilities due outside one year decreased due to lower amounts payable for bonds in the future. Deferred inflows of resources increased as a result of the difference between projected and actual investment earnings on pension and OPEB plans and the changes in proportion and differences between district contributions and the proportionate share of contributions. Net investment in capital assets increased and restricted net position decreased as the result of the completion of the operations center.

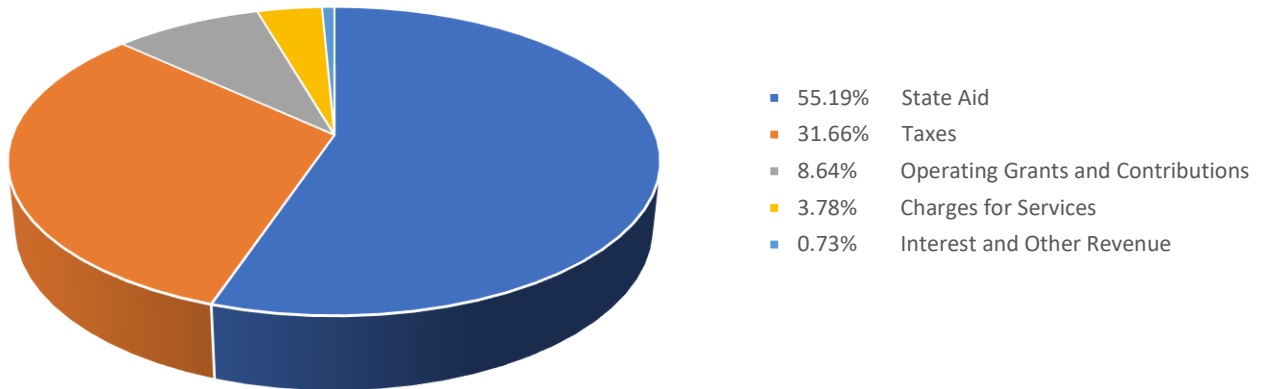
Governmental activities decreased the Fargo Public School District's net position. Key elements of this decrease are as follows:

CHANGE IN NET POSITION		
	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues		
Charges for Services	\$ 6,777,431	\$ 6,668,803
Operating Grants and Contributions	15,493,222	15,376,555
General Revenues		
Taxes	56,791,252	53,817,389
State Aid	98,991,852	99,530,131
Interest and Other Revenue	1,301,310	199,755
Total Revenues	<u>\$ 179,355,067</u>	<u>\$ 175,592,633</u>
Expenses		
Instruction	\$ 112,005,299	\$ 113,335,377
Support Services		
Pupil Services	4,965,987	4,631,619
Instructional Staff Services	4,838,220	5,265,195
General Administrative Services	3,096,857	3,641,029
School Administrative Services	11,661,313	11,009,330
Business Services	5,369,281	5,264,611
Operations and Maintenance	20,404,100	16,791,601
Pupil Transportation Services	2,461,717	2,515,821
Co-Curricular Services	5,750,730	4,378,169
Food Services	6,921,487	6,556,433
Community Service	91,079	94,552
Interest and other charges on Long-Term Debt	3,022,188	3,341,347
Total Expenses	<u>\$ 180,588,258</u>	<u>\$ 176,825,084</u>
Change in Net Position	<u>\$ (1,233,191)</u>	<u>\$ (1,232,451)</u>
Net Position – July 1	<u>\$ 24,553,378</u>	<u>\$ 25,785,829</u>
Prior Period Adjustment	<u>\$ (1,642,567)</u>	<u>\$ -</u>
Net Position – June 30	<u><u>\$ 21,677,620</u></u>	<u><u>\$ 24,553,378</u></u>

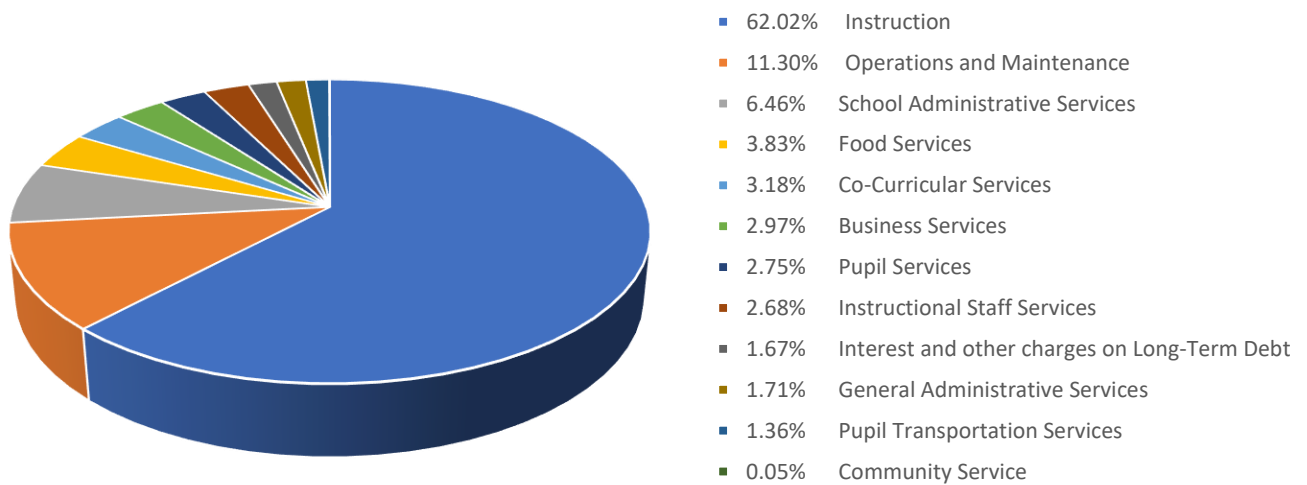
Total revenues increased mainly from an increase in property taxes as the result of higher assessed property values. Expenses increased due to a large number of scheduled maintenance projects throughout the district.

The following charts present the portion of each category/function of revenue and expense:

Revenues of the Board of Education of the City of Fargo for the Fiscal Year 2018



Expenses of the Board of Education of the City of Fargo for the Fiscal Year 2018



BOARD OF EDUCATION OF THE CITY OF FARGO
 Management’s Discussion and Analysis – Continued

As a result of the 2017 legislative session, the School 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 \$180,588,258, compared to \$176,825,084 for the year ended June 30, 2017.

- Some of the cost was paid for by the users of the district’s programs (\$6,777,431).
- The Federal and state governments subsidized certain programs with grants and contributions (\$15,493,222 for operating purposes).
- Most of the district’s revenues (\$157,084,414) were funded by district taxpayers and the taxpayers of the state of North Dakota and is comprised of property taxes (\$56,791,252), state aid based on the statewide education aid formula (\$98,991,852), and with investment earnings and other general revenues (\$1,301,310).

NET COST OF GOVERNMENTAL ACTIVITIES

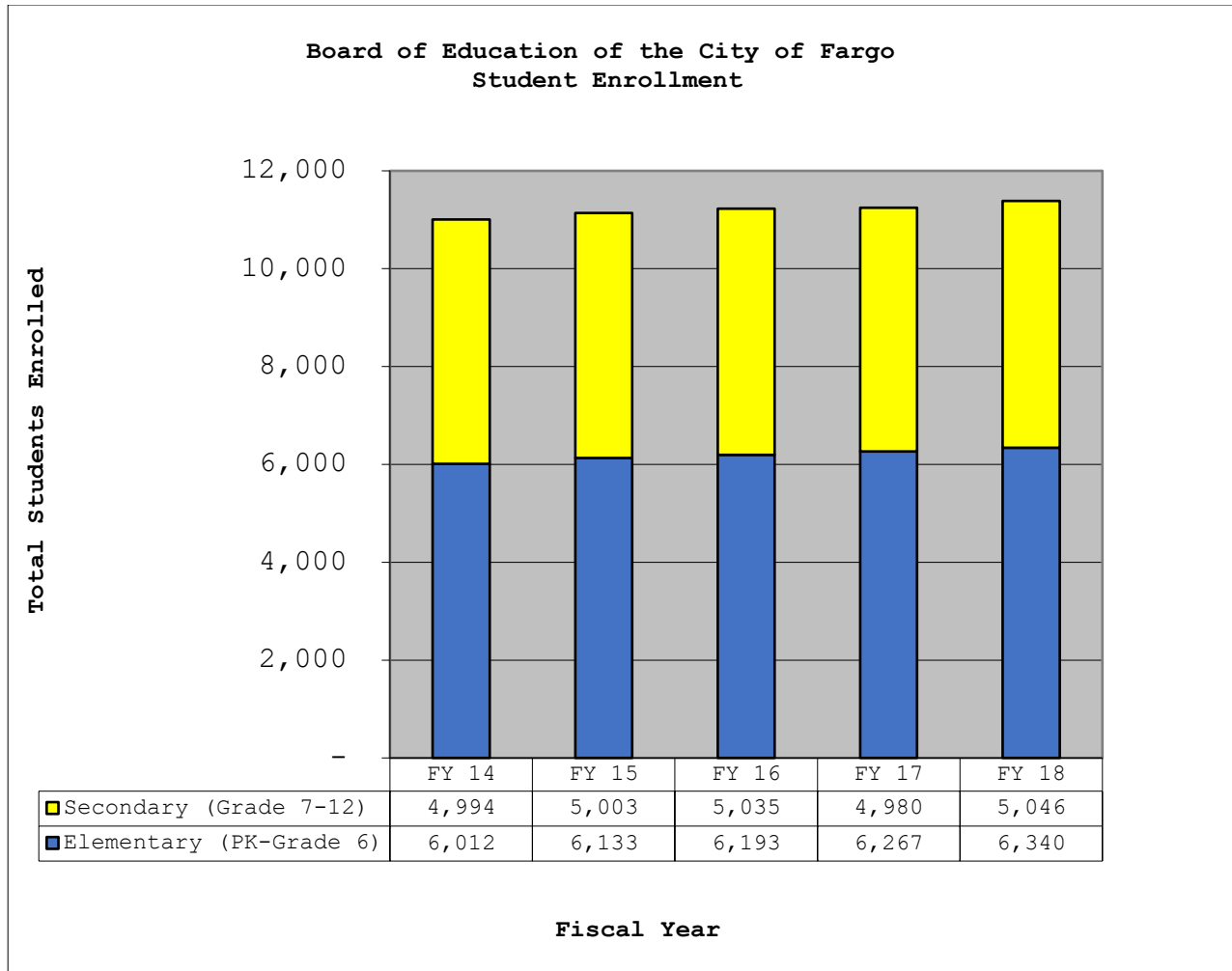
	2018		2017	
	Total Cost of Service	Net Cost of Services	Total Cost of Service	Net Cost of Services
Regular Instruction	\$ 76,422,915	\$ (70,009,191)	\$ 78,831,323	\$ (71,303,191)
Special Education	28,747,433	(24,225,667)	27,080,262	(22,606,642)
Vocational Education	5,922,346	(4,543,711)	6,488,074	(5,354,891)
Adult Education	912,605	(729,898)	935,718	(728,414)
Pupil Services	4,965,987	(4,665,219)	4,631,619	(4,528,527)
Instructional Staff Services	4,838,220	(4,838,220)	5,265,195	(5,265,195)
General Admin Services	3,096,857	(3,096,857)	3,641,029	(3,641,029)
School Admin Services	11,661,313	(11,661,313)	11,009,330	(11,009,330)
Business Services	5,369,281	(5,152,907)	5,264,611	(5,166,174)
Operations & Maintenance	20,404,100	(20,354,043)	16,791,601	(16,269,222)
Pupil Transportation Service	2,461,717	(1,463,312)	2,515,821	(1,444,175)
Co-Curricular	5,750,730	(4,436,772)	4,378,169	(3,899,387)
Food Service Outlays	6,921,487	(27,228)	6,556,433	(127,650)
Community Services	91,079	(91,079)	94,552	(94,552)
Interest / Other Expenses	3,022,188	(3,022,188)	3,341,347	(3,341,347)
Total	\$ 180,588,258	\$ (158,317,605)	\$ 176,825,084	\$ (154,779,726)

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.

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 11,006 to 11,386. Fiscal year 2018 saw a 139 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.

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



The following schedule presents a summary of General Fund revenues.

General Fund Revenue	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Increase (Decrease)
Local Sources	\$ 49,494,266	\$ 47,575,470	\$ 1,918,796	4.03%
State Sources	102,407,881	103,024,346	(616,465)	(0.60%)
Federal Sources	8,647,044	8,428,084	218,960	2.60%
Other Sources	123,074	26,470	96,604	364.96%
Total General Fund Revenue	\$ 160,672,265	\$ 159,054,370	\$ 1,617,895	1.02%

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.

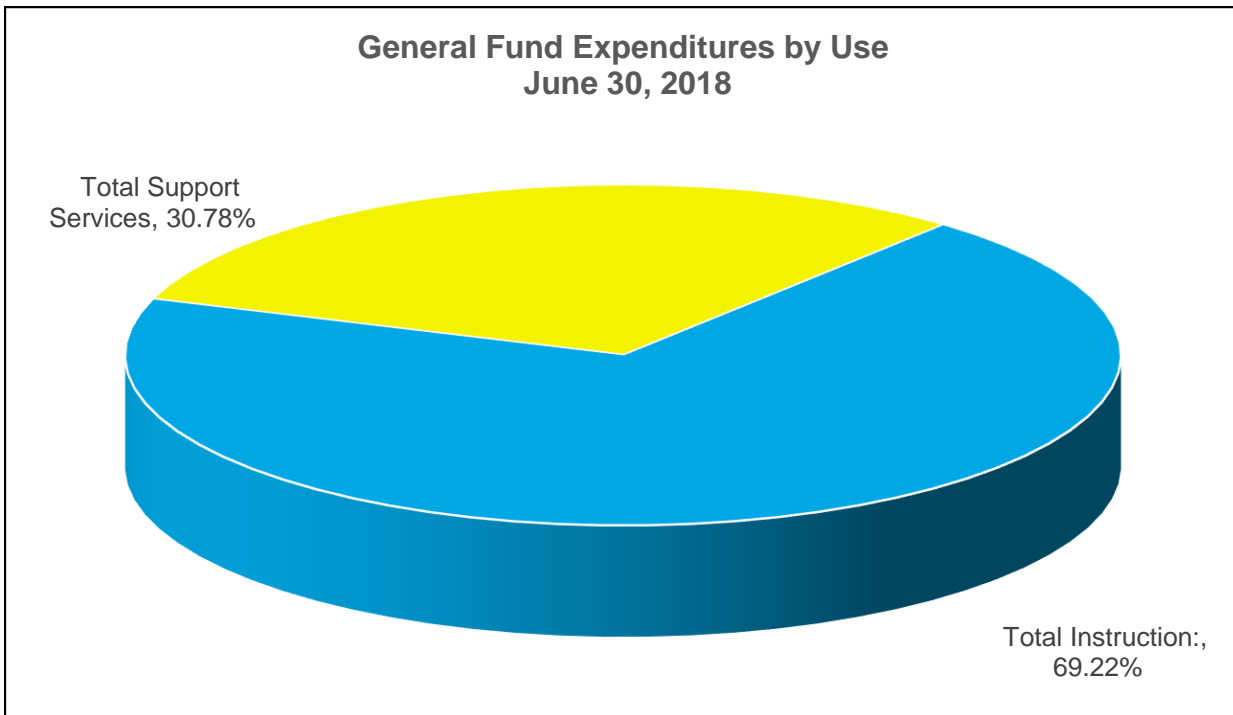
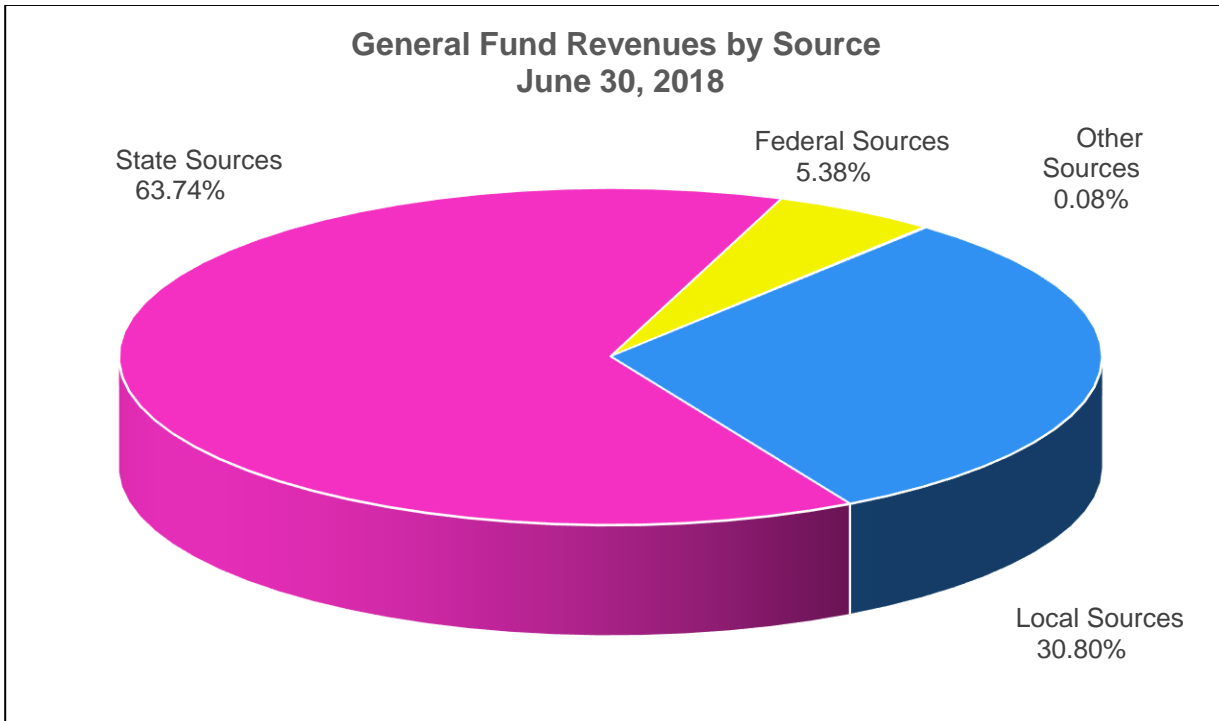
The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Increase (Decrease)
Instruction	\$ 106,371,694	\$ 105,127,213	\$ 1,244,481	1.18%
Support Services	47,292,307	45,123,877	2,168,430	4.81%
Total General Fund Expenditures	\$ 153,664,001	\$ 150,251,090	\$ 3,412,911	2.27%

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

In fiscal year 2018, 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 2018, General Fund's fund balance increased by \$288,001, resulting in a total fund balance of \$31,936,278.



General Fund Budgetary Highlights

During the year there was a \$1,041,298 increase in appropriations between the original and final revenue (and other financing sources) budget and an increase of \$1,051,944 between the original and final expenditure budget. The actual revenue amount was less than the final budget. The majority of the difference resulted from lower than projected property tax collections and less in tuition receipts. The actual expenditure amount was less than the final budget. The difference in expenditures from the final budget compared to actual was mainly from lower than expected instructional costs.

General Fund	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues and Other Financing Sources	\$ 160,631,140	\$ 161,672,438	\$ 160,696,943	\$ (975,495)

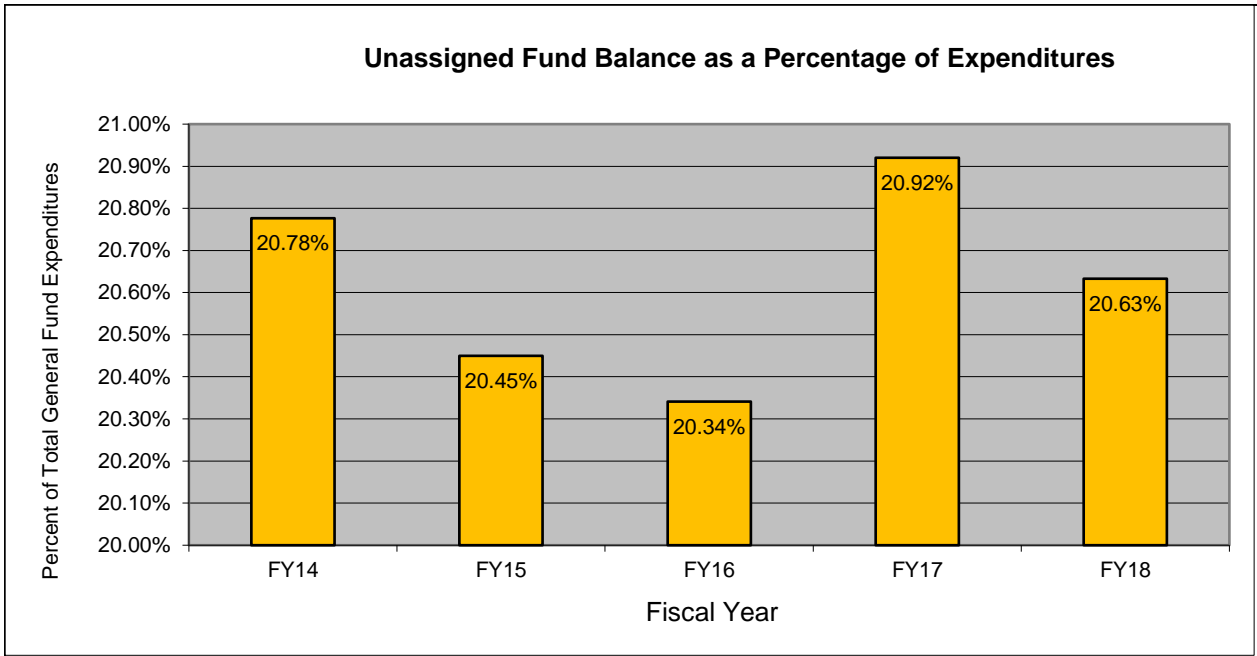
	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures and Other Financing Uses	\$ 160,956,134	\$ 162,008,078	\$ 160,408,942	\$ 1,599,136

General Fund Balance

**Summary of General Fund Changes
 Last Ten Fiscal Years**

School Year	Beginning Balance Jul 1	Revenues	Expenditures	Other Financing Uses and Transfers In	Ending Balance Jun 30
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
2015-2016	28,975,841	155,901,680	147,458,328	(7,233,839)	30,185,354
2016-2017	30,185,354	159,054,370	150,251,090	(7,340,357)	31,648,277
2017-2018	31,648,277	160,672,265	153,664,001	(6,720,263)	31,936,278

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



The graph above is one of the best measures of overall financial health. 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 included as a major fund for the Board of Education of the City of Fargo. This fund is used to make principal and interest payments on bonds when due. The use of a debt service fund allows the School District 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.

Debt Service Fund	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Increase (Decrease)
Local Sources	\$ 55	\$ 3,437	\$ (3,382)	(98.40%)

Total Debt Service Fund revenues decreased from the previous year, due to lower interest earned on bond funds.

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

Debt Service Fund	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Increase (Decrease)
Principal	\$ 6,942,969	\$ 15,340,217	\$ (8,397,248)	(54.74%)
Interest	3,139,442	3,152,751	(13,309)	(0.42%)
Bond Costs	-	109,704	(109,704)	(100.00%)
Total Debt Service Expenditures	\$ 10,082,411	\$ 18,602,672	\$ (8,520,261)	(45.80%)

Debt service expenditures decreased due to normal debt retirement. Also, it should be noted that payments of \$7,425,000 and \$1,925,000 were made to the bond escrow agent for the current refunding of the \$19,650,000 Lease Revenue Refunding Bond, Series 2009B and the \$3,400,000 Lease Revenue Bond, Series 2009 on May 1, 2017.

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 major capital acquisitions and construction are reported. 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.

Capital Project Fund Revenue	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Increase (Decrease)
Local Sources	\$ 10,009,696	\$ 9,585,535	\$ 424,161	4.43%

Total Capital Projects Fund revenues increased from the previous year, primary due to an increase in property tax collections.

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

Capital Project Fund Expenditures	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Increase (Decrease)
Operations & Maint.	\$ 1,980,129	\$ 360,172	\$ 1,619,957	449.77%
Capital Outlay	1,194,345	7,118,991	(5,924,646)	(83.22%)
Principal	442,601	1,103,231	(660,630)	(59.88%)
Interest	32,163	76,332	(44,169)	(57.86%)
Bond Costs	755	-	755	100.00%
Total Capital Projects Expenditures	\$ 3,649,993	\$ 8,658,726	\$ (5,008,733)	(57.85%)

Total Capital Projects Fund expenditures decreased due to the completion of construction on the operations center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital Assets (Net of Depreciation)		
	2018	2017
Land and Land Improvements	\$ 15,268,098	\$ 13,418,098
Buildings and Improvements	187,055,760	183,094,388
Equipment and Vehicles	4,026,732	3,924,177
Construction in Progress	1,119,138	9,207,731
Total Capital Assets	<u>\$ 207,469,728</u>	<u>\$ 209,644,394</u>

Construction in progress decreased and buildings and improvements increased due to the completion of the operations center. More detailed information about capital assets can be found in Note 4 to the financial statements.

Long-Term Liabilities

Outstanding General Long Term Liabilities		
	2018	2017
General Obligation Bonds Payable	\$ 83,574,322	\$ 88,272,291
Paid Leave System Payable	3,023,181	2,695,598
Special Assessments Payable	683,292	695,230
Building Authority Revenue Bonds Payable	6,550,000	8,795,000
Compensated Absences Payable	476,779	458,194
Sick Leave Longevity Payable	123,749	131,866
PTO Payable	249,485	434,339
Net Pension Liability	179,871,398	176,253,699
Total Long Term Liabilities	\$ 274,552,206	\$ 277,736,217

Of the amounts reported above, \$90,807,614 is long-term debt, \$7,423,456 of which is the current liability due within one year, and consists of bonds payable and special assessments payable. The Fargo Public School District decreased its existing debt obligations by \$6,954,907. The key factor for this decrease is the reduction in bonds payable. More detailed information about the district’s long-term liabilities is presented in Note 7 to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fargo Public Schools considered many factors when setting the fiscal year 2018-2019 budget. The district’s economic position has remained relatively constant. With a specified mill levy up to 127 mills, of which currently 126.78 mills are levied, taxable property valuation will increase 5.8% from the prior year. The local economy is strong and the city of Fargo continues to grow in population. Demographic analysis of the district’s student population displays growth of approximately 100 students for the upcoming year.

One of the district’s primary sources of revenue is from the state of North Dakota, and is based on a per pupil payment funding formula. While the per pupil funding remained flat the previous two years, 2019 will include a legislative session where funding of K-12 education will be on the docket. It is unknown if the previous per pupil funding rate of \$9,646 will be maintained. In addition, the state funding formula calls for a contribution from local property tax, which is a deduction equal to the value of 60 mills. With the increase in property valuations, the loss in state aid will be approximately \$500,000 for 2019.

Community task forces will be established to seek input on supporting the behavioral needs of students in a least restrictive environment and to review early childhood special education programming, both of which are expanding needs. The recommendations of these task forces will be taken into consideration on a third committee which will be established to determine building capacity and usage in order to update the district’s Long Range Facility Plan.

During 2018, land was purchased in the southern part of the city for the anticipated need of an elementary/middle school in the future. In addition, bonds were issued in July of 2018 to fund significant remodeling of the district’s largest middle school, Discovery Middle School. Completion of the project is anticipated by the fall of 2019.

We will continue to work diligently to focus efforts on efficiencies and strong fiscal stewardship as we look forward to our future of educating and empowering all students to succeed.

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
 Jackie Gapp
 Business Manager
 415 4th Street North
 Fargo, North Dakota 58102

BOARD OF EDUCATION OF THE CITY OF FARGO

Statement of Net Position

June 30, 2018 (Summarized Comparative Totals 2017)

	Governmental Activities	
	2018	2017
ASSETS		
Cash and Investments	\$ 56,483,827	\$ 52,520,426
Cash with Fiscal Agent	6,162,840	6,089,025
Accounts Receivable	20,753	44,372
Taxes Receivable	3,094,731	2,489,397
Intergovernmental Receivables	4,739,780	4,630,221
Due from County Treasurer	836,871	2,473,850
Inventories	230,436	227,591
Contracts Receivable	1,615,000	1,835,000
Interest Receivable	83,432	42,703
Prepaid Expenses	148,600	139,807
Capital Assets, Net	207,469,728	209,644,394
Total Assets	\$ 280,885,998	\$ 280,136,786
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pension and OPEB	\$ 39,558,304	\$ 42,611,621
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 2,377,707	\$ 1,720,195
Salaries and Benefits Payable	8,179,012	6,905,050
Due to Other Agencies	86,237	95,559
Contracts Payable	80,082	160,839
IBNR Claims	1,486,000	1,204,000
Interest Payable	1,027,230	1,177,402
Net Bond Premium	3,450,823	3,967,523
Unearned Revenue-(Food Service Commodities)	-	2,294
Unearned Revenue-(Food Service Lunch Credits)	178,093	157,174
Total Current Liabilities	\$ 16,865,184	\$ 15,390,036
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	\$ 7,423,455	\$ 6,959,995
Due After One Year		
Long-Term Debt	83,384,159	90,802,526
Long-Term Payroll Liabilities	3,873,194	3,719,997
Net Pension and OPEB Liability	179,871,398	176,253,699
Total Long-Term Liabilities	\$ 274,552,206	\$ 277,736,217
Total Liabilities	\$ 291,417,390	\$ 293,126,253
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB Items	\$ 7,349,292	\$ 5,068,776
NET POSITION		
Net Investment in Capital Assets	\$ 113,894,583	\$ 108,609,580
Restricted		
Capital Projects	7,604,036	8,381,613
Debt Service	6,162,840	6,089,025
Unrestricted	(105,983,839)	(98,526,840)
Total Net Position	\$ 21,677,620	\$ 24,553,378

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Statement of Activities

For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

Functions/Programs	2018			2017	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position	Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction					
Regular	\$ 76,422,915	\$ 651,791	\$ 5,761,933	\$ (70,009,191)	\$ (71,303,191)
Special Education	28,747,433	373,480	4,148,286	(24,225,667)	(22,606,642)
Vocational Education	5,922,346	277,167	1,101,468	(4,543,711)	(5,354,891)
Adult Education	912,605	-	182,707	(729,898)	(728,414)
Support Services					
Pupil Services	4,965,987	300,768	-	(4,665,219)	(4,528,527)
Instructional Staff Services	4,838,220	-	-	(4,838,220)	(5,265,195)
General Administrative Services	3,096,857	-	-	(3,096,857)	(3,641,029)
School Administrative Services	11,661,313	-	-	(11,661,313)	(11,009,330)
Business Services	5,369,281	216,374	-	(5,152,907)	(5,166,174)
Operations and Maintenance	20,404,100	50,057	-	(20,354,043)	(16,269,222)
Pupil Transportation Services	2,461,717	4,662	993,743	(1,463,312)	(1,444,175)
Co-Curricular	5,750,730	1,171,134	142,824	(4,436,772)	(3,899,387)
Food Service	6,921,487	3,731,998	3,162,261	(27,228)	(127,650)
Community Services	91,079	-	-	(91,079)	(94,552)
Interest and Other Charges on Long-Term Debt	3,022,188	-	-	(3,022,188)	(3,341,347)
Total Governmental Activities	\$ 180,588,258	\$ 6,777,431	\$ 15,493,222	\$ (158,317,605)	\$ (154,779,726)
General Revenues					
Taxes					
Property Taxes; Levied for General Purposes				\$ 45,117,526	\$ 42,618,543
Property Taxes; Levied for Debt Service				9,733,081	9,148,119
Other Tax Revenue				1,940,645	2,050,727
State Aid not Restricted to Specific Program					
Per Pupil Aid				98,991,852	99,530,131
Interest Income and Other Revenue				1,301,310	199,755
Total General Revenues				\$ 157,084,414	\$ 153,547,275
Change in Net Position				\$ (1,233,191)	\$ (1,232,451)
Net Position - July 1				\$ 24,553,378	\$ 25,785,829
Prior Period Adjustment				\$ (1,642,567)	\$ -
Net Position - July 1, as restated				\$ 22,910,811	\$ 25,785,829
Net Position - June 30				\$ 21,677,620	\$ 24,553,378

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Balance Sheet – Governmental Funds

June 30, 2018 (Summarized Comparative Totals 2017)

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	2018	2017
ASSETS						
Cash and Investments	\$ 35,990,763	\$ -	\$ 9,368,044	\$ 3,453,663	\$ 48,812,470	\$ 45,639,449
Cash with Fiscal Agent	-	20	6,162,820	-	6,162,840	6,089,025
Interest Receivable	83,432	-	-	-	83,432	42,703
Accounts Receivable	16,631	-	-	4,122	20,753	44,372
Taxes Receivable	2,546,189	-	548,542	-	3,094,731	2,489,397
Intergovernmental Receivable	4,739,780	-	-	-	4,739,780	4,630,221
Due from County Treasurer	688,615	-	148,256	-	836,871	2,473,850
Contracts Receivable	1,615,000	-	-	-	1,615,000	1,835,000
Inventories	230,435	-	-	1	230,436	227,591
Total Assets	\$ 45,910,845	\$ 20	\$ 16,227,662	\$ 3,457,786	\$ 65,596,313	\$ 63,471,608
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 1,570,030	\$ -	\$ 710,768	\$ 96,909	\$ 2,377,707	\$ 1,708,588
Salaries and Benefits Payable	8,117,368	-	-	58,922	8,176,290	6,898,011
Due to Other Agencies	85,414	-	-	823	86,237	95,559
Contracts Payable	40,566	-	39,516	-	80,082	160,839
Unearned Revenue						
Food Service Commodity Inventory	-	-	-	-	-	2,294
Food Service Lunch Credits	-	-	-	178,093	178,093	157,174
Total Liabilities	\$ 9,813,378	\$ -	\$ 750,284	\$ 334,747	\$ 10,898,409	\$ 9,022,465
Deferred Inflows of Resources						
Uncollected Taxes Receivable	\$ 2,546,189	\$ -	\$ 548,542	\$ -	\$ 3,094,731	\$ 2,489,397
Uncollected Contracts Receivable	1,615,000	-	-	-	1,615,000	1,835,000
Total Deferred Inflows of Resources	\$ 4,161,189	\$ -	\$ 548,542	\$ -	\$ 4,709,731	\$ 4,324,397
Total Liabilities and Deferred Inflows of Resources	\$ 13,974,567	\$ -	\$ 1,298,826	\$ 334,747	\$ 15,608,140	\$ 13,346,862
Fund Balances						
Nonspendable						
Inventories	\$ 230,435	\$ -	\$ -	\$ 1	\$ 230,436	\$ 225,297
Restricted						
Debt Service	-	20	6,162,820	-	6,162,840	6,089,025
Capital Projects	-	-	8,766,016	-	8,766,016	9,816,091
Committed						
Food Service	-	-	-	3,123,038	3,123,038	2,561,886
Unassigned	31,705,843	-	-	-	31,705,843	31,432,447
Total Fund Balances	\$ 31,936,278	\$ 20	\$ 14,928,836	\$ 3,123,039	\$ 49,988,173	\$ 50,124,746
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 45,910,845	\$ 20	\$ 16,227,662	\$ 3,457,786	\$ 65,596,313	\$ 63,471,608

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018 (Summarized Comparative Totals 2017)

Total Fund balances for Governmental Funds \$ 49,988,173

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	\$ 284,878,883	
Less: Accumulated Depreciation	<u>(77,409,155)</u>	207,469,728

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. 3,094,731

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. 1,615,000

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

Deferred Outflows Derived from Pension and OPEB	\$ 39,558,304	
Deferred Inflows Derived from Pension and OPEB	<u>(7,349,292)</u>	32,209,012

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at fiscal year end are:

Long-Term Debt	\$ (94,258,437)	
Interest Payable	(1,027,230)	
Long-Term Payroll Liabilities	(3,873,194)	
Net Pension and OPEB Liability	<u>(179,871,398)</u>	(279,030,259)

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: 6,331,235

Total Net Position of Governmental Activities \$ 21,677,620

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Major Funds				Total Governmental Funds	
	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	2018	2017
REVENUES						
Local Sources	\$ 49,494,266	\$ 55	\$ 10,009,696	\$ 5,063,823	\$ 64,567,840	\$ 61,013,963
State Sources	102,407,881	-	-	47,139	102,455,020	103,076,434
Federal Sources	8,647,044	-	-	3,114,659	11,761,703	11,445,161
Other Sources	123,074	-	-	-	123,074	26,470
Total Revenues	\$160,672,265	\$ 55	\$ 10,009,696	\$ 8,225,621	\$ 178,907,637	\$ 175,562,028
EXPENDITURES						
Current						
Instruction						
Regular	\$ 72,427,801	\$ -	\$ -	\$ -	\$ 72,427,801	\$ 73,095,302
Special Education	27,382,094	-	-	-	27,382,094	25,215,023
Vocational Education	5,700,296	-	-	-	5,700,296	5,966,993
Adult Education	861,503	-	-	-	861,503	849,895
Support Services						
Pupil Services	4,742,513	-	-	-	4,742,513	4,377,276
Instructional Staff Services	4,615,325	-	-	-	4,615,325	4,895,252
General Administration Services	3,150,824	-	-	-	3,150,824	2,786,378
School Administration Services	10,134,016	-	-	-	10,134,016	10,214,991
Business Services	4,885,816	-	-	-	4,885,816	4,926,683
Operations and Maintenance	17,024,384	-	1,980,129	-	19,004,513	15,609,807
Pupil Transportation Services	2,407,839	-	-	-	2,407,839	2,344,675
Co-Curricular	242,261	-	-	5,304,617	5,546,878	4,249,833
Food Service Outlays	-	-	-	6,405,284	6,405,284	6,300,358
Community Services	89,329	-	-	-	89,329	88,124
Capital Outlays	-	-	1,194,345	-	1,194,345	7,118,991
Debt Service						
Principal	-	6,942,969	442,601	-	7,385,570	16,443,448
Interest	-	3,139,442	32,163	-	3,171,605	3,229,083
Bond Costs	-	-	755	-	755	109,704
Total Expenditures	\$153,664,001	\$ 10,082,411	\$ 3,649,993	\$ 11,709,901	\$ 179,106,306	\$ 187,821,816
Excess of Revenues Over (Under) Expenditures	\$ 7,008,264	\$(10,082,356)	\$ 6,359,703	\$(3,484,280)	\$(198,669)	\$(12,259,788)
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ -	\$ 10,074,716	\$ 5,000,000	\$ 3,998,548	\$ 19,073,264	\$ 25,708,269
Transfers Out	(6,744,941)	-	(12,328,323)	-	(19,073,264)	(26,681,481)
Debt Issuance	-	-	-	-	-	8,795,000
Refund of Prior Year's Expense	-	-	-	9,900	9,900	-
Premium on the Sale of Bonds	-	-	-	-	-	672,342
Sale of Capital Assets	24,678	-	-	27,518	52,196	10,898
Total Other Financing Sources (Uses)	\$ (6,720,263)	\$ 10,074,716	\$ (7,328,323)	\$ 4,035,966	\$ 62,096	\$ 8,505,028
Net Change in Fund Balances	\$ 288,001	\$ (7,640)	\$ (968,620)	\$ 551,686	\$ (136,573)	\$ (3,754,760)
Fund Balance - July 1	\$ 31,648,277	\$ 7,660	\$ 15,897,456	\$ 2,571,353	\$ 50,124,746	\$ 53,879,506
Fund Balance - June 30	\$ 31,936,278	\$ 20	\$ 14,928,836	\$ 3,123,039	\$ 49,988,173	\$ 50,124,746

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

BOARD OF EDUCATION OF THE CITY OF FARGO

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, 2018 (Summarized Comparative Totals 2017)

Net Change in Fund Balances - Total Governmental Funds \$ (136,573)

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 outlay exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 2,638,683	
Current Year Depreciation	<u>(4,813,349)</u>	(2,174,666)

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.

Increase in Compensated Absences	\$ (18,585)	
Decrease in Sick Leave Longevity Payable	8,117	
Increase in Paid Leave System Payable	(327,583)	
Decrease in PTO Payable	184,854	
Decrease in Interest Payable	150,172	
Decrease in Special Assessments	<u>11,938</u>	8,913

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		519,838
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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		(3,138)
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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.

6,942,969

The Net Pension and OPEB 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.

Increase in Net Pension and OPEB Liability	\$ (1,975,132)	
Decrease in Deferred Outflows of Resources	(3,053,317)	
Increase in Deferred Inflows of Resources	<u>(2,280,516)</u>	(7,308,965)

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.

Increase in Uncollected Taxes Receivable	\$ 605,334	
Decrease in Uncollected Contracts Receivable	<u>(220,000)</u>	385,334

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 increase (decrease) of the internal service fund is reported with governmental activities.

533,097

Change in Net Position of Governmental Activities \$ (1,233,191)

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Statement of Net Position - Proprietary Fund

June 30, 2018 (Summarized Comparative Totals 2017)

	Internal Service Fund	
	2018	2017
ASSETS		
Cash and Investments	\$ 7,671,357	\$ 6,880,977
Prepaid Expenses	148,600	139,807
Total Current Assets	<u>\$ 7,819,957</u>	<u>\$ 7,020,784</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 11,607
Salaries Payable	2,722	7,039
IBNR Claims	1,486,000	1,204,000
Total Current Liabilities	<u>\$ 1,488,722</u>	<u>\$ 1,222,646</u>
NET POSITION		
Restricted		
Prepaid Expenses	\$ 148,600	\$ 139,807
Patient Centered Outcomes Research Inst. (PCORI)	6,251	6,022
Unrestricted	<u>6,176,384</u>	<u>5,652,309</u>
Total Net Position	<u><u>\$ 6,331,235</u></u>	<u><u>\$ 5,798,138</u></u>

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

BOARD OF EDUCATION OF THE CITY OF FARGOStatement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
For the year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Internal Service Fund	
	2018	2017
OPERATING REVENUES		
Contributions to Self-Insurance	\$ 18,694,456	\$ 17,618,691
OPERATING EXPENSES		
Health Insurance Claims	\$ 18,161,359	\$ 18,591,903
Operating Income (Loss)	\$ 533,097	\$ (973,212)
OTHER FINANCING SOURCES (USES)		
Transfers In	\$ -	\$ 973,212
Change in Net Position	\$ 533,097	\$ -
Total Net Position-July 1	\$ 5,798,138	\$ 5,798,138
Total Net Position-June 30	\$ 6,331,235	\$ 5,798,138

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Statement of Cash Flows - Proprietary Fund

For the year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Internal Service Fund	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from User Charges	\$ 18,685,664	\$ 17,607,566
Payments for Health Insurance Claims	(17,895,283)	(19,320,151)
Net Cash Used/Provided by Operating Activities	<u>\$ 790,380</u>	<u>\$ (1,712,585)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In	\$ -	\$ 973,212
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 790,380</u>	<u>\$ (739,373)</u>
Cash and Cash Equivalents Beginning of Year	<u>6,880,977</u>	<u>7,620,350</u>
Cash and Cash Equivalents End of Year	<u>\$ 7,671,357</u>	<u>\$ 6,880,977</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Operating Income (Loss)	\$ 533,097	\$ (973,212)
Adjustments to reconcile operating income (loss) to net cash provided (Used) by operating activities:		
Changes in Assets and Liabilities:		
Increase in Prepaid Expenses	(8,793)	(11,125)
Decrease in Accounts Payable	(11,607)	(6,732)
Decrease in Salaries Payable	(4,317)	(504)
Increase in IBNR Claims Payable	282,000	(721,012)
Net Cash Used/Provided by Operating Activities	<u>\$ 790,380</u>	<u>\$ (1,712,585)</u>

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2018 (Summarized Comparative Totals 2017)

	<u>AGENCY FUNDS</u>	
	<u>STUDENT ACTIVITY FUND</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ 1,591,368	\$ 1,465,969
Due from Other Governmental Units	24,044	59,555
Accounts Receivable	8	1,211
	<hr/>	<hr/>
Total Assets	<u>\$ 1,615,420</u>	<u>\$ 1,526,735</u>
LIABILITIES		
Accounts Payable	\$ 6,541	\$ 26,495
Due to Student Groups	1,602,959	1,498,886
Salaries and Benefits Payable	5,920	1,354
	<hr/>	<hr/>
Total Liabilities	<u>\$ 1,615,420</u>	<u>\$ 1,526,735</u>

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education of the City of Fargo (“School District”) 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 School District. 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. These criteria include 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 School District.

Based on these criteria, there is one component unit to be included within the School District as a reporting entity.

Blended 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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 School 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 School District are categorized as Category 1, readers should be aware of the three categories of disclosure required for investments and deposits.

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. No commodity inventory was reported as unearned revenue at June 30, 2018.

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.

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

Donated capital assets are measured at acquisition value on the date of donation. The donated assets are categorized using the valuation techniques shown below that determine their value using the three fair value hierarchical levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, we will measure its value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Although all donated capital assets of the district are categorized as Level 1, readers should be aware of the three categories of disclosure required for the fair value hierarchy.

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
Buildings and Improvements	50
Vehicles and Equipment	10

Land and Construction in Progress are not depreciated.

H. Compensated Absences

Vacation

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:

Years of 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

Personal Leave

Teachers and OT/PT's (occupational therapists and physical therapists) 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. Other nine and ten month employees are also 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. Employees may request payment for unused personal leave. Payment will be based on contracted daily hours at their current salary step for each personal day accumulated.

Sick Leave

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 (no more than the number of days to be earned) once they have accumulated a minimum of 65 days. Support staff also have this option once a minimum of 90 days, (Legacy and/or Sick Leave combined) has been accumulated. Employees who elect to sell back their coming year's sick leave days, over the 65/90 day minimum, are making an irrevocable election to do so and will be paid for them at 50% of their current daily rate in January of the following year.

Emergency Leave

Nine and ten month employees working four or more hours per day, earn two days of emergency leave per year. Teachers working half-time or more also accrue two days of emergency leave per year. Teachers working less than half of the annual employment period shall receive one-half of the allotted emergency leave. Twelve month employees earn 3 days of emergency leave per year. Emergency leave will accumulate to a maximum of twelve days for all employees.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 terms. Investments are reported at fair value.

J. Other Post-Employment Benefits (OPEB)

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

K. 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.

L. Fund Balance

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 \$31,705,843 at June 30, 2018 represents 20.63% of annual general fund expenditures.

Nonspendable Fund Balances

Nonspendable fund balance consists of inventory.

Restricted Fund Balances

Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (State & Federal governments for various grants & reimbursements).

Committed Fund Balances

Committed fund balances consist of amounts in the Food Service fund that are not restricted by enabling legislation or 3rd parties but have been committed by the School Board for specific purposes.

Unassigned Fund Balances

Unassigned fund balances consist of amounts in the general fund and negative fund balances.

M. Net Position

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.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt used to purchase or finance capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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 and OPEB liability, and is the portion of net position that is not restricted or reported as net investment in capital assets.

N. 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: 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, 2018, the Fargo Public School District's carrying amount of all deposits, (less investments of \$10,033,770 and \$1,573 in petty cash held at the schools), was \$48,039,853 and the bank balances were \$49,593,418. Of the bank balances, \$36,915,289 was covered by Federal Depository Insurance. The remaining balances are 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.

Cash with Fiscal Agent

This amount consists primarily of debt proceeds placed in an irrevocable trust with US Bank, to refund the 2033 maturity and a portion of the 2032 maturity of the Series 2014 limited tax bond on August 1, 2019, the redemption date.

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, 2018, the School District had certificates of deposits totaling \$10,033,770.

Concentration of Credit Risk

The School District does not have a limit on the amount the district may invest in any one issuer.

NOTE 3: TAXES RECEIVABLE

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.

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018.

	Balance Jul 1	Additions / Transfers	Deletions / Transfers	Balance Jun 30
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 13,418,098	\$ 1,850,000	\$ -	\$ 15,268,098
Construction in Progress	9,207,731	1,194,345	9,282,938	1,119,138
Total capital assets not depreciated	\$ 22,625,829	\$ 3,044,345	\$ 9,282,938	\$ 16,387,236
<i>Capital assets, being depreciated:</i>				
Buildings and Improvements	\$ 248,600,442	\$ 9,282,938	\$ 243,543	\$ 257,639,837
Vehicles and Equipment	11,013,929	757,500	919,619	10,851,810
Total capital assets, being depreciated	\$ 259,614,371	\$ 10,040,438	\$ 1,163,162	\$ 268,491,647
<i>Less accumulated depreciation for</i>				
Buildings and Improvements	\$ 65,506,054	\$ 5,107,248	\$ 29,225	\$ 70,584,077
Vehicles and Equipment	7,089,752	584,757	849,431	6,825,078
Total accumulated depreciation	\$ 72,595,806	\$ 5,692,005	\$ 878,656	\$ 77,409,155
Total capital assets being depreciated, net	\$ 187,018,565	\$ 4,348,433	\$ 284,506	\$ 191,082,492
Governmental activities capital assets, net	\$ 209,644,394	\$ 7,392,778	\$ 9,567,444	\$ 207,469,728

NOTE 5: OPERATING LEASES RECEIVABLE

The School District, as lessor, has leased a gymnastics facility at South High School, to American Gold Gymnastics and pool usage to YMCA. The School District also leases 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. The School District also leases property at four of our schools to the City of Fargo for use as a depository and pick-up for recycling containers. We lease to 702 Communications for wireless internet services and we also lease 76 acres of farm land to Mark Hiatt. Leases receivable are as follows:

Year Ending Jun 30	Total
2019	\$ 68,005
2020	31,818
2021	31,107
2022	31,823
2023	32,561
Total	\$ 195,314

NOTE 6: OPERATING LEASES PAYABLE

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, Riverwood Park is being leased from the Fargo Park District for playing fields for football practices and non-varsity football games. Total costs for all leases were \$11,923 for the year ended June 30, 2018. The future minimum lease payments are as follows:

Year Ending Jun 30	Total
2019	\$ 2,323
2020	323
2021	323
2022	324
2023	324
2024-2027	1,078
Total	\$ 4,695

NOTE 7: LONG-TERM LIABILITIES

Defeasance of Debt

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, 2018, \$6,162,840 remains in trusts at U.S. Bank to advance refund a portion of the August 1, 2032 principal and all of the August 1, 2033 principal due on the 2014 Limited Tax Bond. On August 1, 2019 the funds will be applied to the principal of the 2014 Limited Tax Bond. Any remaining funds will be applied to the 2017 Lease Revenue Refunding bond principal due.

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. Bonds and Special Assessments are paid out of the Debt Service Fund.

During the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt.

	Bal Jul 1 (Restated)	Increases	Decreases	Balance Jun 30	Due Within One Year
Long-Term Debt					
Limited Tax Bonds Payable	\$ 88,272,291	\$ -	\$ 4,697,969	\$ 83,574,322	\$ 4,825,748
Special Assessments	695,230	5,215	17,153	683,292	17,707
Building Authority Rev Bonds	8,795,000	-	2,245,000	6,550,000	2,580,000
Total Long-Term Debt	\$ 97,762,521	\$ 5,215	\$ 6,960,122	\$ 90,807,614	\$ 7,423,455
Long-Term Payroll Liabilities					
Compensated Absences	\$ 458,194	\$ 795,692	\$ 777,107	\$ 476,779	\$ -
Sick Leave Longevity Payable	131,866	340,048	348,165	123,749	-
PTO Payable	434,339	59,966	244,820	249,485	-
Paid Leave System Payable	2,695,598	1,451,405	1,123,822	3,023,181	-
Total Long-Term Payroll Liabilities	\$ 3,719,997	\$ 2,647,111	\$ 2,493,914	\$ 3,873,194	\$ -
Net Pension and OPEB Liability	\$ 177,896,266	\$ 1,975,132	\$ -	\$ 179,871,398	\$ -
Total Long-Term Liabilities	\$ 279,378,784	\$ 4,627,458	\$ 9,454,036	\$ 274,552,206	\$ 7,423,455

The annual long-term debt service requirements at June 30, 2018, are as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending Jun 30	Limited Tax Bonds		Special Assessments		Building Authority Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 4,825,749	\$ 2,493,574	\$ 17,707	\$ 29,305	\$ 2,580,000	\$ 305,200
2020	11,238,556	2,236,148	18,491	28,521	2,855,000	176,200
2021	5,091,392	1,976,144	19,309	27,703	270,000	33,450
2022	5,214,256	1,831,905	20,164	26,848	275,000	25,350
2023	3,547,148	1,684,662	21,057	25,955	280,000	17,100
2024-2028	28,435,152	5,917,102	120,122	114,939	290,000	8,700
2029-2033	22,266,929	2,167,684	149,174	85,887	-	-
2034-2038	2,955,140	150,393	185,252	49,807	-	-
2039-2041	-	-	132,016	9,019	-	-
TOTALS	\$ 83,574,322	\$ 18,457,612	\$ 683,292	\$ 397,984	\$ 6,550,000	\$ 566,000

NOTE 8: PENSION PLANS - ND TFFR

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 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.

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

At June 30, 2018, the Fargo Public Schools reported a liability of \$142,997,249 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 June 30, 2017, the district’s proportion was 10.41096235%, which was a decrease of (.21570798%) from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the district recognized net pension expense of \$12,873,366. At June 30, 2018, 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	\$ 548,495	\$ 1,561,015
Changes of Assumptions	10,192,311	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,975,194	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	4,050,788
District Contributions Subsequent to the Measurement Date	9,032,387	-
Total Deferred Outflows and Deferred Inflows	\$ 21,748,387	\$ 5,611,803

\$9,032,387, reported as deferred outflows of resources and deferred inflows 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, 2019.

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

2018	\$ 1,576,345
2019	4,674,520
2020	2,734,741
2021	(668,309)
2022	(677,001)
Thereafter	(536,099)

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment Rate of Return	7.75%, net of investment expenses
Cost-Of-Living Adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

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The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017 funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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	58%	6.70%
Global Fixed Income	23%	.80%
Global Real Assets	18%	5.20%
Cash Equivalents	1%	.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2017. 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, 2017, 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, 2017. 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, 2017.

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 as of June 30, 2017, June 30, 2016, June 30, 2015 and June 30, 2014, calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District’s Proportionate Share of the Net Pension Liability	\$ 190,117,378	\$ 142,997,249	\$ 103,771,162

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report, located in the North Dakota Retirement and Investments Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. Additional financial and actuarial information is available on their website, www.nd.gov/rio/sib/publications/cafr/default.htm, or may be obtained by writing to ND Retirement and Investment Office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

NOTE 9: PENSION PLANS - ND PERS

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (NDPERS) (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contributions rates are 8.26% of covered compensation.

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

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

At June 30, 2018, the Board of Education of the City of Fargo reported a liability of \$35,237,777 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, 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 June 30, 2017, the district's proportion was 2.192320 percent, which is an increase of .082038 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized net pension expense of \$5,242,350. At June 30, 2018, 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	\$ 209,451	\$ 171,685
Changes of Assumptions	14,449,866	794,774
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	473,919	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	527,889	668,356
District Contributions Subsequent to the Measurement Date	1,715,609	-
Total Deferred Outflows and Deferred Inflows	\$ 17,376,734	\$ 1,634,815

\$1,715,609, 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, 2019.

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

2018	\$	2,980,401
2019		3,630,677
2020		3,141,502
2021		2,755,908
2022		1,517,822

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
	41 – 49	6.00%
	50+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost Scale from 2014. For disabled retirees, mortality rates are based on the RP-2000 Disabled Retiree Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

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 pension plan's target asset allocation are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	(0.45%)
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate.

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
School District’s Proportionate Share of the Net Pension Liability	\$ 47,836,361	\$ 35,237,777	\$ 24,756,281

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, 2017. The supporting actuarial information is included in the June 30, 2017, 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 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) - ND PERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System OPEB Plan

The following brief description of NDPERS OPEB plan is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the Public Employees Retirement System (PERS), the Highway Patrol Retirement System (HPRS), and Judges retired under chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member’s years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/ temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as “prefunded credit applied” on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee’s, or deceased employee’s years of credited service not to exceed the premium in effect for select coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Board of Education of the City of Fargo reported a liability of \$1,636,372 for its proportionate share of net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The district’s proportion of the net OPEB liability was based on the district’s share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the district’s proportion was 2.068710 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$197,106. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 39,910
Changes of Assumptions	158,492	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	61,870
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	894
Employer Contributions Subsequent to the Measurement Date	274,690	-
Total Deferred Outflows and Deferred Inflows	\$ 433,182	\$ 102,674

\$274,690, reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

2018	\$ 2,955
2019	2,955
2020	2,955
2021	2,955
2022	18,423
2023	18,423
Thereafter	7,152

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the Retiree Health Insurance Credit (RHIC) fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS Actuarial Valuation Reports. For this purpose, only district contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected district contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount rate

The following presents the district's proportionate share of the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net OPEB Liability	\$ 2,048,539	\$ 1,636,372	\$ 1,283,072

OPEB Plan Fiduciary Net Position

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB amounts by Employer (including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements) is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial report for the fiscal year ended June 30, 2017. The supporting actuarial information is included in the June 30, 2017, GASB Statements No. 74 and 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* actuarial valuation for each retirement plan. The 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 11: 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. All payments for those with 15 years of service and beyond will be \$50.00 per legacy sick day.
4. 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.

For the year ended June 30, 2018 the School District had 36 employees who received this benefit at a cost to the School District of \$ 348,165.

NOTE 12: 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.

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDIRF for its general liability, automobile insurance coverage and inland marine. The coverage by NDIRF is limited to losses of five million dollars per occurrence for general liability and five million dollars per occurrence for automobile coverage. Mobile contractor’s equipment is limited to losses of \$1,234,519. Computerized business equipment \$4,167,944. Buildings are limited at \$424,929,321, personal property at \$38,116,526 and band equipment at \$ 3,053,238.

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.

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

The School District has worker's 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 \$1,486,000. 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 6/30/18	Year Ended 6/30/17
Unpaid Claims July 1	\$ 1,204,000	\$ 1,925,012
Incurred Claims Including IBNR's	14,748,053	15,434,324
Less: Claims Paid	14,466,053	16,155,336
Unpaid Claims June 30	\$ 1,486,000	\$ 1,204,000

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

NOTE 13: CONSTRUCTION COMMITMENTS

The School District had four construction projects remaining as of June 30, 2018. Discovery middle school is adding on and remodeling. Lewis and Clark elementary is updating their cabinetry. Washington elementary is remodeling their offices and Agassiz is replacing their roof.

At year-end the district's commitments with contractors were as follows:

Project	Contract	Completed	Retainage	Commitment
Discovery Addition & Renovation	\$ 12,960,531	\$ 1,079,623	\$ 39,516	\$ 11,920,424
Lewis and Clark Cabinetry	159,721	149,426	8,529	18,824
Washington Office Remodeling	295,000	182,059	17,129	130,070
Agassiz Roofing Project	61,660	46,752	14,908	29,816
Total	\$ 13,476,912	\$ 1,457,860	\$ 80,082	\$ 12,099,134

NOTE 14: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2018:

Fund	Transfers In	Transfers Out	Explanation
Major Funds			
General Fund	\$ -	\$ 6,744,941	To finance programs in other funds and eliminate deficits
Debt Service	10,074,716	-	Bond principal & interest transfers
Capital Projects Fund	5,000,000	12,328,323	Bond principal & interest transfers
Nonmajor Funds			
Student Activities	3,985,997	-	Eliminate deficits
Food Service	12,551	-	Reimburse expenses paid by Food Service
Total Transfers	\$ 19,073,264	\$ 19,073,264	

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 15: 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 16: TAX ABATEMENTS

Cass County and certain political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Cass County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at June 30, 2018.

The School District will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

New and Expanding Business

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below.

The following criteria are only guidelines.

General criteria — The governing body of the city or county may grant a partial or complete exemption from ad valorem taxation on all buildings, structure, fixtures, and improvements used in or necessary to the operation of a project for period not exceeding five years from the date of commencement of project operations. The governing body may also grant a partial or complete exemption from ad valorem taxation on buildings, structures, fixtures, and improvements used in or necessary to the operation of a project that produces or manufactures a product from agricultural commodities for all or part of the sixth year through the tenth year from the date of commencement of project operations. As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$123,266

Public Charity Exemption

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption criteria

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$2,654,293

Single Family Residence

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)). General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$526,128

Childhood Service Exemption:

A governing body may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under NDCC 50-11.1 or used primarily as an adult day care center. (NDCC 57-02-08(36)).

This exemption is not available for property used as a residence.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$88,764

Commercial and Residential

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

As a result of agreements made by the county and city, the School District had a reduction in taxes as noted.

Reduction in Taxes – Due to Agreements with Other Entities

Total program reduction in taxes – \$49,947

NOTE 17: PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 75 - OPEB

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

	Amounts
Beginning net position, as previously reported	\$ 24,553,378
Adjustments to restate the July 1, 2017 net position	
Beginning Net OPEB Liability	(1,642,567)
Net Position July 1, as restated	<u>\$ 22,910,811</u>

BOARD OF EDUCATION OF THE CITY OF FARGO

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Budgeted Amounts		2018 Actual Amounts	Variance With	2017
	Original	Final		Final Budget Positive (Negative)	
REVENUES					
Property Taxes	\$ 47,204,946	\$ 47,034,946	\$46,516,969	\$ (517,977)	\$ 44,132,164
Other Local Sources	2,224,247	2,856,304	2,977,297	120,993	3,443,306
State Sources	101,464,800	102,118,434	102,407,881	289,447	103,024,346
Federal Sources	9,435,397	9,358,104	8,647,044	(711,060)	8,428,084
Other Sources	-	-	123,074	123,074	26,470
Total Revenues	\$ 160,329,390	\$ 161,367,788	\$ 160,672,265	\$ (695,523)	\$ 159,054,370
EXPENDITURES					
Instruction					
Regular	\$ 74,273,479	\$ 73,435,851	\$ 72,427,801	\$ 1,008,050	\$ 73,095,302
Special Education	26,336,455	27,379,290	27,382,094	(2,804)	25,215,023
Vocational Education	5,729,749	5,745,864	5,700,296	45,568	5,966,993
Adult Education	861,561	873,987	861,503	12,484	849,895
Total Instruction	\$ 107,201,244	\$ 107,434,992	\$ 106,371,694	\$ 1,063,298	\$ 105,127,213
Support Services					
Pupil Services	\$ 4,605,715	\$ 4,729,105	\$ 4,742,513	\$ (13,408)	\$ 4,377,276
Instructional Staff Services	4,795,793	4,834,230	4,615,325	218,905	4,895,252
General Administration Services	3,006,674	3,219,865	3,150,824	69,041	2,786,378
School Administration Services	10,196,251	10,125,257	10,134,016	(8,759)	10,214,991
Business Services	4,814,012	4,992,183	4,885,816	106,367	4,926,683
Operations and Maintenance	16,432,237	16,907,170	17,024,384	(117,214)	15,249,635
Pupil Transportation Services	2,557,428	2,417,948	2,407,839	10,109	2,344,675
Co-Curricular	243,692	244,240	242,261	1,979	240,863
Community Services	90,000	90,000	89,329	671	88,124
Total Support Services	\$ 46,741,802	\$ 47,559,998	\$ 47,292,307	\$ 267,691	\$ 45,123,877
Total Expenditures	\$ 153,943,046	\$ 154,994,990	\$ 153,664,001	\$ 1,330,989	\$ 150,251,090
Excess of Revenues Over (Under) Expenditures	\$ 6,386,344	\$ 6,372,798	\$ 7,008,264	\$ 635,466	\$ 8,803,280
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	\$ 10,000	\$ 12,900	\$ 24,678	\$ 11,778	\$ 10,898
Transfers In	291,750	291,750	-	(291,750)	615,946
Transfers Out	(7,013,088)	(7,013,088)	(6,744,941)	268,147	(6,993,989)
Transfers Out - Internal Service Fund	-	-	-	-	(973,212)
Total Other Financing Sources (Uses)	\$ (6,711,338)	\$ (6,708,438)	\$ (6,720,263)	\$ (11,825)	\$ (7,340,357)
Net Change in Fund Balances	\$ (324,994)	\$ (335,640)	\$ 288,001	\$ 623,641	\$ 1,462,923
Fund Balance - July 1	\$ 31,648,277	\$ 31,648,277	\$ 31,648,277	\$ -	\$ 30,185,354
Fund Balance - June 30	\$ 31,323,283	\$ 31,312,637	\$ 31,936,278	\$ 623,641	\$ 31,648,277

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Schedule of Employer’s Share of Net Pension Liability and Employer Contributions
 For the Year Ended June 30, 2018

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

	2018	2017	2016	2015
School District’s proportion of the net pension liability (asset)	10.410962%	10.626670%	10.638990%	10.894306%
School District’s proportionate share of the net pension liability (asset)	\$ 142,997,249	\$ 155,686,944	\$ 139,142,582	\$ 114,153,013
School District’s covered-employee payroll	\$ 70,271,012	\$ 69,044,120	\$ 65,440,942	\$ 63,192,177
School District’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.20%	59.20%	62.10%	66.60%

**Schedule of Employer Contributions
 ND Teachers’ Fund for Retirement
 Last 10 Fiscal Years**

	2018	2017	2016	2015
Statutorily required contribution	\$ 8,959,554	\$ 8,803,126	\$ 8,343,319	\$ 6,793,160
Contributions in relation to the statutorily required contribution	\$ 8,959,554	\$ 8,803,126	\$ 8,343,319	\$ 6,793,160
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District’s covered-employee payroll	\$ 70,842,224	\$ 70,271,012	\$ 69,044,120	\$ 65,440,942
Contributions as a percentage of covered-employee payroll	12.65%	12.53%	12.08%	10.38%

**Schedule of Employer’s Share of Net Pension Liability
 ND Public Employee’s Retirement System
 Last 10 Fiscal Years**

	2018	2017	2016	2015
School District’s proportion of the net pension liability (asset)	2.192320%	2.110282%	2.148335%	2.311911%
School District’s proportionate share of the net pension liability (asset)	\$ 35,237,777	\$ 20,566,755	\$ 14,608,311	\$ 14,674,193
School District’s covered-employee payroll	\$ 22,380,148	\$ 21,266,660	\$ 19,139,057	\$ 19,475,053
School District’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued

**Schedule of Employer Contributions
ND Teachers' Fund for Retirement
Last 10 Fiscal Years**

	2018	2017	2016	2015
Statutorily required contribution	\$ 1,622,833	\$ 1,539,672	\$ 1,453,765	\$ 1,386,624
Contributions in relation to the statutorily required contribution	\$ 1,618,347	\$ 1,624,198	\$ 1,577,824	\$ 1,386,624
Contribution deficiency (excess)	\$ 4,486	\$ (84,526)	\$ (124,059)	\$ -
District's covered-employee payroll	\$ 24,095,650	\$ 22,380,148	\$ 21,266,660	\$ 19,139,057
Contributions as a percentage of covered-employee payroll	6.72%	7.26%	6.84%	7.24%

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended June 30, 2018

**Schedule of Employer's Share of Net OPEB Liability
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

	2018
School District's proportion of the net OPEB liability (asset)	2.068710%
School District's proportionate share of the net OPEB liability (asset)	\$ 1,636,372
School District's covered-employee payroll	\$ 22,380,148
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

**Schedule of Employer Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

	2018
Statutory required contribution	\$ 260,153
Contributions in relation to the statutory required contribution	\$ 259,119
Contribution deficiency (excess)	\$ 1,034
District's covered-employee payroll	\$ 24,095,650
Contributions as a percentage of covered-employee payroll	1.08%

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

- The annual budget must be prepared and School District taxes must be levied on or before the 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 PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

NOTE 3: LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The school board amended the School District budget for 2018 as follows:

	Original Budget	Amendment	Amended Budget
REVENUES			
General Fund	160,631,140	1,041,298	161,672,438
EXPENDITURES			
General Fund	160,956,134	1,051,944	162,008,078

NOTE 4: CHANGES OF ASSUMPTIONS

North Dakota Teachers' Fund for Retirement (TFFR)

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

North Dakota Public Employees Retirement System (NDPERS)

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

BOARD OF EDUCATION OF THE CITY OF FARGO

Schedule of Fund Activity
For the Year Ended June 30, 2018

	Balance 7/1/2017	Revenue	Transfers In	Other Financing Sources/Uses	Transfers Out	Expenditures	Balance 6/30/2018
(10) General Fund	\$ 31,648,277	\$ 160,672,265	\$ -	\$ 24,678	\$ 6,744,941	\$ 153,664,001	\$ 31,936,278
Special Revenue Funds							
(50) Food Service	\$ 2,571,353	\$ 6,907,001	\$ 12,551	\$ 37,418	\$ -	\$ 6,405,284	\$ 3,123,039
(60) Student Activities	-	1,318,620	3,985,997	-	-	5,304,617	-
Total Special Revenue Funds	\$ 2,571,353	\$ 8,225,621	\$ 3,998,548	\$ 37,418	\$ -	\$ 11,709,901	\$ 3,123,039
Debt Service Funds							
(40) District	\$ -	\$ -	\$ 7,328,323	\$ -	\$ -	\$ 7,328,323	\$ -
Building Authority							
Project 000	-	-	3,510	-	-	3,510	-
(H) (Project 019) 17 Lease Revenue Bonds	7,660	55	2,742,883	-	-	2,750,578	20
Total Building Authority Debt Service Fund	\$ 7,660	\$ 55	\$ 2,746,393	\$ -	\$ -	\$ 2,754,088	\$ 20
Total Debt Service Funds	\$ 7,660	\$ 55	\$ 10,074,716	\$ -	\$ -	\$ 10,082,411	\$ 20
Capital Projects Fund							
(30-39) District	\$ 15,897,456	\$ 10,009,696	\$ 5,000,000	\$ -	\$ 12,328,323	\$ 3,649,993	\$ 14,928,836
Total Capital Projects Funds	\$ 15,897,456	\$ 10,009,696	\$ 5,000,000	\$ -	\$ 12,328,323	\$ 3,649,993	\$ 14,928,836
Total Governmental Funds	\$ 50,124,746	\$ 178,907,637	\$ 19,073,264	\$ 62,096	\$ 19,073,264	\$ 179,106,306	\$ 49,988,173
Internal Service Fund							
(80) Health Insurance	\$ 5,798,138	\$ 18,694,456	\$ -	\$ -	\$ -	\$ 18,161,359	\$ 6,331,235
Agency Funds							
(70) Agency Fund	\$ -	\$ 3,050,139	\$ -	\$ -	\$ -	\$ 3,050,139	\$ -
Total Agency Funds	\$ -	\$ 3,050,139	\$ -	\$ -	\$ -	\$ 3,050,139	\$ -
Total All Funds	\$ 55,922,884	\$ 200,652,232	\$ 19,073,264	\$ 62,096	\$ 19,073,264	\$ 200,317,804	\$ 56,319,408

BOARD OF EDUCATION OF THE CITY OF FARGO

Combining Balance Sheet - Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Food Service	Student Activities	Total	
			2018	2017
ASSETS				
Cash and Investments	\$ 3,375,489	\$ 78,174	\$ 3,453,663	\$ 2,823,079
Receivables:				
Accounts	2,322	1,800	4,122	400
Inventories	1	-	1	11,761
Total Assets	\$ 3,377,812	\$ 79,974	\$ 3,457,786	\$ 2,835,240
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 16,935	\$ 79,974	\$ 96,909	\$ 43,747
Salaries and Benefits Payable	58,922	-	58,922	56,691
Due to Other Agencies	823	-	823	3,981
Unearned Revenue				
Food Service Commodity Inventory	-	-	-	2,294
Food Service Lunch Credits	178,093	-	178,093	157,174
Total Liabilities	\$ 254,773	\$ 79,974	\$ 334,747	\$ 263,887
Fund Balances				
Nonspendable				
Inventories	\$ 1	\$ -	\$ 1	\$ 9,467
Committed				
Food Service	3,123,038	-	3,123,038	2,561,886
Total Fund Balances	\$ 3,123,039	\$ -	\$ 3,123,039	\$ 2,571,353
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,377,812	\$ 79,974	\$ 3,457,786	\$ 2,835,240

BOARD OF EDUCATION OF THE CITY OF FARGOCombining Statement of Revenues, Expenditures and Changes In Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Food Service	Student Activities	Total	
			2018	2017
REVENUES				
Local Sources	\$ 3,745,203	\$ 1,318,620	\$ 5,063,823	\$ 3,849,521
State Sources	47,139	-	47,139	52,088
Federal Sources	3,114,659	-	3,114,659	3,017,077
Total Revenues	<u>\$ 6,907,001</u>	<u>\$ 1,318,620</u>	<u>\$ 8,225,621</u>	<u>\$ 6,918,686</u>
EXENDITURES				
Current:				
Food Service Outlays	\$ 6,405,284	\$ -	\$ 6,405,284	\$ 6,300,358
Co-Curricular	-	5,304,617	5,304,617	4,008,970
Total Expenditures	<u>\$ 6,405,284</u>	<u>\$ 5,304,617</u>	<u>\$ 11,709,901</u>	<u>\$ 10,309,328</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 501,717</u>	<u>\$ (3,985,997)</u>	<u>\$ (3,484,280)</u>	<u>\$ (3,390,642)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 27,518	\$ -	\$ 27,518	\$ -
Refund of Prior Year's Expense	9,900	-	9,900	-
Transfers In	12,551	3,985,997	3,998,548	3,601,118
Total Other Financing Sources (Uses)	<u>\$ 49,969</u>	<u>\$ 3,985,997</u>	<u>\$ 4,035,966</u>	<u>\$ 3,601,118</u>
Net Change in Fund Balances	<u>\$ 551,686</u>	<u>\$ -</u>	<u>\$ 551,686</u>	<u>\$ 210,476</u>
Fund Balance - July 1	<u>\$ 2,571,353</u>	<u>\$ -</u>	<u>\$ 2,571,353</u>	<u>\$ 2,360,877</u>
Fund Balance - June 30	<u>\$ 3,123,039</u>	<u>\$ -</u>	<u>\$ 3,123,039</u>	<u>\$ 2,571,353</u>

BOARD OF EDUCATION OF THE CITY OF FARGO

Budgetary Comparison Schedule - Food Service Fund

For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Budgeted Amounts		2018 Actual	Variance With Final Budget Positive (Negative)	2017
	Original	Final			
REVENUES					
Local Sources	\$ 3,512,476	\$ 3,565,257	\$ 3,745,203	\$ 179,946	\$ 3,370,739
State Sources	53,000	48,000	47,139	(861)	52,088
Federal Sources	2,773,000	3,062,100	3,114,659	52,559	3,017,077
Total Revenues	\$ 6,338,476	\$ 6,675,357	\$ 6,907,001	\$ 231,644	\$ 6,439,904
EXPENDITURES					
Current					
School Food Services	\$ 6,189,294	\$ 6,538,175	\$ 6,405,284	\$ 132,891	\$ 6,300,358
Excess (Deficiency) of Revenues Over Expenditures	\$ 149,182	\$ 137,182	\$ 501,717	\$ 364,535	\$ 139,546
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	\$ -	\$ -	\$ 27,518	\$ 27,518	\$ -
Refund of Prior Year's Expense	-	-	9,900	9,900	-
Transfers In	75,000	75,000	12,551	(62,449)	70,930
Transfers Out	(291,750)	(291,750)	-	291,750	-
Total Other Financing Sources (Uses)	\$ (216,750)	\$ (216,750)	\$ 49,969	\$ 266,719	\$ 70,930
Net Change in Fund Balances	\$ (67,568)	\$ (79,568)	\$ 551,686	\$ 631,254	\$ 210,476
Fund Balance - July 1	\$ 2,571,353	\$ 2,571,353	\$ 2,571,353	\$ -	\$ 2,360,877
Fund Balance - June 30	\$ 2,503,785	\$ 2,491,785	\$ 3,123,039	\$ 631,254	\$ 2,571,353

BOARD OF EDUCATION OF THE CITY OF FARGO

Budgetary Comparison Schedule - Student Activities Fund

For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Budgeted Amounts		2018 Actual	Variance With Final Budget Positive (Negative)	2017
	Original	Final			
REVENUES					
Local Sources	\$ 1,402,000	\$ 1,451,157	\$ 1,318,620	\$ (132,537)	\$ 478,782
EXPENDITURES					
Current					
Co-Curricular	\$ 5,582,000	\$ 5,631,157	\$ 5,304,617	\$ 326,540	\$ 4,008,970
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,180,000)	\$ (4,180,000)	\$ (3,985,997)	\$ 194,003	\$ (3,530,188)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 4,180,000	\$ 4,180,000	\$ 3,985,997	\$ (194,003)	\$ 3,530,180
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ -

BOARD OF EDUCATION OF THE CITY OF FARGO

Budgetary Comparison Schedule - Debt Service Fund

For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Budgeted Amounts		2018 Actual	Variance With Final Budget Positive (Negative)	2017
	Original	Final			
REVENUES					
Local Sources	\$ -	\$ -	\$ 55	\$ 55	\$ 3,437
Total Revenues	\$ -	\$ -	\$ 55	\$ 55	\$ 3,437
EXPENDITURES					
Debt Service					
Principal	\$ 6,942,969	\$ 6,942,969	\$ 6,942,969	\$ -	\$ 15,340,217
Interest and Service Charges	3,143,442	3,143,442	3,139,442	4,000	3,152,751
Bond Costs	-	-	-	-	109,704
Total Expenditures	\$ 10,086,411	\$ 10,086,411	\$ 10,082,411	\$ 4,000	\$ 18,602,672
Excess of Revenues Over (Under) Expenditures	\$ (10,086,411)	\$ (10,086,411)	\$ (10,082,356)	\$ 4,055	\$ (18,599,235)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 10,086,411	\$ 10,086,411	\$ 10,074,716	\$ (11,695)	\$ 18,491,205
Transfers Out	-	-	-	-	(9,351,679)
Debt Issuance	-	-	-	-	8,795,000
Premium on the Sale of Bonds	-	-	-	-	672,342
Total Other Financing Sources (Uses)	\$ 10,086,411	\$ 10,086,411	\$ 10,074,716	\$ (11,695)	\$ 18,606,868
Net Change in Fund Balances	\$ -	\$ -	\$ (7,640)	\$ (7,640)	\$ 7,633
Fund Balance - July 1	\$ -	\$ -	\$ 7,660	\$ -	\$ 27
Fund Balance - June 30	\$ -	\$ -	\$ 20	\$ (7,640)	\$ 7,660

BOARD OF EDUCATION OF THE CITY OF FARGO

Budgetary Comparison Schedule - Capital Projects Fund

For the Year Ended June 30, 2018 (Summarized Comparative Totals 2017)

	Budgeted Amounts		2018 Actual	Variance With Final Budget Positive (Negative)	2017
	Original	Final			
REVENUES					
Local Sources	\$ 10,051,786	\$ 10,143,786	\$ 10,009,696	\$ (134,090)	\$ 9,585,535
EXPENDITURES					
Operations and Maintenance	\$ 1,051,000	\$ 2,119,500	\$ 1,980,129	\$ 139,371	\$ 360,172
Capital Outlay	105,000	886,500	1,194,345	(307,845)	7,118,991
Debt Service					
Principal	291,650	291,650	442,601	(150,951)	1,103,231
Interest	46,000	46,000	32,163	13,837	76,332
Bond Costs	-	-	755	(755)	-
Total Expenditures	\$ 1,493,650	\$ 3,343,650	\$ 3,649,993	\$ (306,343)	\$ 8,658,726
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,558,136	\$ 6,800,136	\$ 6,359,703	\$ (440,433)	\$ 926,809
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	\$ 3,000,000
Transfers Out	(12,328,323)	(12,328,323)	(12,328,323)	-	(9,362,601)
Total Other Financing Sources (Uses)	\$ (7,328,323)	\$ (7,328,323)	\$ (7,328,323)	\$ -	\$ (6,362,601)
Net Change in Fund Balances	\$ 1,229,813	\$ (528,187)	\$ (968,620)	\$ (440,433)	\$ (5,435,792)
Fund Balance - July 1	\$ 15,897,456	\$ 15,897,456	\$ 15,897,456	\$ -	\$ 21,333,248
Fund Balance - June 30	\$ 17,127,269	\$ 15,369,269	\$ 14,928,836	\$ (440,433)	\$ 15,897,456

BOARD OF EDUCATION OF THE CITY OF FARGO

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE PROGRAMS			
Passed through the North Dakota Department of Public Instruction			
10.555	National School Lunch Program - Cash	N/A	\$ 2,036,931
10.555	National School Lunch Program - Commodities	N/A	508,021
10.553	School Breakfast Program	N/A	548,158 **
10.559	Summer Food Service Program for Children Child Nutrition Cluster	N/A	<u>4,423</u> \$ 3,097,533
10.558	Child and Adult Care Food Program	N/A	\$ 7,211
10.560	State Administrative Expenses for Child Nutrition	N/A	9,900
10.567	Nutrition Training/Professional Standards	N/A	463
10.582	Fresh Fruit and Vegetable Program	N/A	<u>211,621</u>
Total U.S Department of Agriculture			<u>\$ 3,326,728</u>
U.S. NATIONAL SECURITY AGENCY			
12.900	Language Grant Programs	N/A	<u>\$ 108,056</u>
U.S. DEPARTMENT OF LABOR			
Passed through the North Dakota Department of Public Instruction			
17.266	Workforce Investment (Job Service)	N/A	<u>\$ 16,056</u>
U.S. DEPARTMENT OF EDUCATION PROGRAMS			
Direct Assistance			
84.060	Indian Education-Grants to Local Education Agencies	N/A	<u>\$ 86,603</u>
Passed through the North Dakota Department of Public Instruction			
84.027	Special Education-Grants to States	N/A	\$ 3,009,437
84.173	Special Education- Preschool Grants Special Education Cluster	N/A	<u>55,521</u> \$ 3,064,958
84.002	Adult Education - Basic Grants for States	N/A	176,507
84.010	Title I - Grants to LEA's	N/A	3,632,869
84.196	Education for Homeless Children and Youth	N/A	9,700
84.369A	Grants for State Assessments and Related Activities	N/A	13,074
84.365A	English Language Acquisition Grants	N/A	92,981
84.367A	Supporting Effective Instruction State Grants	N/A	944,646
84.424A	Student Support and Academic Enrichment Program	N/A	<u>95,892</u>
Passed through the North Dakota Department of Career and Technical Education			
84.048A	Career and Technical Education - Basic Grants to States	N/A	<u>\$ 264,759</u>
Total U.S Department of Education			<u>\$ 8,381,989</u>

Continued on next page...

BOARD OF EDUCATION OF THE CITY OF FARGO
 Schedule of Expenditures of Federal Awards - Continued

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the North Dakota Department of Transportation			
20.205	Highway Planning and Construction	N/A	<u>\$ 2,718</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
Passed through the North Dakota Department of Public Instruction			
93.584	Refugee and Entrant Assistance-Targeted Assistance Grants	N/A	\$ 6,200
93.566	Refugee and Entrant Assistance-State/Replacement Designee Administered Programs	N/A	34,220
93.576	Refugee and Entrant Assistance Discretionary Grants	N/A	<u>27,216</u>
Total U.S. Department of Human Services			<u>\$ 67,636</u>
Total Amount of Federal Awards			<u><u>\$ 11,903,183</u></u>

** - Noncash Assistance

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

NOTE 1: BASIS OF PRESENTATION / ACCOUNTING

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, 2018. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. 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. Expenditures represent only the federally funded portions of the program. School District records should be consulted to determine amounts expended or matched from non-federal sources.

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 Subpart E of the *Uniform Guidance*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3: NON-CASH AWARDS

The amount of commodities reported on the schedule is the value of the supplemental food program distributed by the district during the year as priced by the North Dakota Department of Public Instruction.

NOTE 4: PASS-THROUGH GRANT NUMBER

For Federal programs marked "N/A", the Board of Education of the City of Fargo was unable to obtain a pass-through grant number.

STATE AUDITOR

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**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***

Independent Auditor's Report

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, North Dakota, as of and for the year ended June 30, 2018, 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 November 21, 2018.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 21, 2018

STATE AUDITOR

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT OF INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2018. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

BOARD OF EDUCATION OF THE CITY OF FARGO

Report on Compliance for Each Major Federal Program; Report of Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance - 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2018, and have issued our report thereon dated November 21, 2018, 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 the Uniform Guidance 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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 21, 2018

BOARD OF EDUCATION OF THE CITY OF FARGO
 Summary of Auditor's Results, and Findings, and Questioned Costs
 For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting

Material weaknesses identified?	_____ Yes	<u> X </u> None	Noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None	Noted
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> None	Noted

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified?	_____ Yes	<u> X </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None	noted
Type of Auditor's Report Issued on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	_____ Yes	<u> X </u> None	noted

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

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GOVERNANCE COMMUNICATION

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 the aggregate remaining fund information of the Board of Education of the City of Fargo, North Dakota, and the respective changes in financial position for the year ended June 30, 2018 which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 21, 2018. 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

As stated in our engagement letter dated September 6, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic 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. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

In planning and performing our audit, we considered the Board of Education of the City of Fargo'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 an opinion on the effectiveness of internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Board of Education of the City of Fargo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

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, 2018. 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.

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 November 21, 2018.

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 School District'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 School Board and management of the Board of Education of the City of Fargo, is not intended to be, and should not be used for any other purpose. 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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 21, 2018

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