



Board of Education of the City of Fargo

Fargo, North Dakota

Audit Report

For the Year Ended June 30, 2016

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of Local Government

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

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

For the Year Ended June 30, 2016

SCHOOL BOARD

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

ADMINISTRATION

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

STATE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Fargo, North Dakota, as of and for the year ended June 30, 2016, 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information, and notes to the required supplementary information* on pages 4-17 and 55-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the City of Fargo's basic financial statements. The *schedule of fund activity, combining balance sheet – nonmajor special revenue funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor special revenue funds, budgetary comparison schedule – food service fund, budgetary comparison schedule – student activities fund, budgetary comparison schedule – debt service fund, budgetary comparison schedule – capital projects fund, and schedule of expenditures of federal awards, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of fund activity, combining balance sheet – nonmajor special revenue funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor special revenue funds, budgetary comparison schedule – food service fund, budgetary comparison schedule – student activities fund, budgetary comparison schedule – debt service fund, budgetary comparison schedule – capital projects fund, and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity, combining balance sheet – nonmajor special revenue funds, combining statement of revenues, expenditures and changes in fund balances – nonmajor special revenue funds, budgetary comparison schedule – food service fund, budgetary comparison schedule – student activities fund, budgetary comparison schedule – debt service fund, budgetary comparison schedule – capital projects fund, and the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of the Board of Education of the City of Fargo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of the City of Fargo's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 18, 2016

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

As management of the Fargo Public School District, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Fargo Public Schools for the fiscal year ended June 30, 2016. 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 at the close of the most recent fiscal year by \$25,785,829 (Net Position). Of this amount, (\$93,917,717) (the unrestricted net position) being a negative number, it cannot be used to meet ongoing obligations.
- The Fargo Public School District's total net position increased by \$13,528,356 as a result of the current year's operation.
- The Fargo Public School District's total revenues from all sources were \$171,296,259. Total expenses were \$157,767,903.
- At the close of the current fiscal year, The Fargo Public School District's governmental funds reported combined ending fund balances of \$53,879,506, an increase of \$2,188,945 in comparison with the prior year. Approximately 55.7% or \$29,994,401 is available for spending through an unassigned fund balance.
- In 2015 a prior period adjustment was necessary to properly recognize the provisions of GASB 68. Accordingly, the beginning net position was reduced by (\$134,672,057) for the beginning Fiscal Year 2015 net pension liability. See Note 29 for more detailed information related to this prior period adjustment.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements.

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

The Statement of Net Position presents information on all of the Fargo Public School District's assets and deferred outflows of resources, and the liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fargo Public School District is improving or declining.

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. 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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the district's financial position. The district's net position of \$25,785,829 is segregated into three categories: Net Investment in capital assets, Restricted and Unrestricted. Net Investment in capital assets represents 386.00% of the district's net position. These assets are not available for future spending. Although the Fargo Public School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. Restricted net position represents 78.22% of the district's resources that are subject to external restrictions on how they may be used. Unrestricted net position represents the remaining (364.22%) of resources. The large negative unrestricted net position balance was solely due to the net pension liability, and related deferred inflows and outflows of resources. The pension obligations are long term obligations that are not likely to ever be liquidated from unrestricted net position, and are not obligated out of current resources to pay upcoming obligations. Not considering the effects of the pension items, the unrestricted net position would have improved and would be \$38,858,019. That amount of unrestricted net position is available to actually meet the district's ongoing obligations. We believe that amount of unrestricted net position, not considering the effects of pension items, is sufficient to meet our ongoing obligations.

BOARD OF EDUCATION OF THE CITY OF FARGO
NET POSITION

	2016	2015
ASSETS		
Current and Non-Current Assets	\$ 79,113,127	\$ 74,969,948
Capital Assets (net of depreciation)	206,998,596	197,021,313
Total Assets	\$286,111,723	\$271,991,261
DEFERRED OUTFLOWS OF RESOURCES		
Differences between Expected and Actual Experience	\$ 1,335,602	\$ 1,348,612
Changes of Assumptions	15,623,325	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	103,313	-
District Contributions Subsequent to the Measurement Date	10,633,286	10,177,373
Total Deferred Outflows of Resources	\$ 27,695,526	\$ 11,525,985
Total Assets and Deferred Outflows of Resources	\$313,807,249	\$283,517,246
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities	\$ 16,206,829	\$ 12,924,267
Long Term Liabilities	265,094,222	242,502,997
Total Liabilities	\$281,301,051	\$255,427,264
DEFERRED INFLOWS OF RESOURCES		
Changes of Assumptions	\$ 1,301,532	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,877,414	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	3,541,423	15,832,509
Total Deferred Inflows of Resources	\$ 6,720,369	\$ 15,832,509
Total Liabilities and Deferred Inflows of Resources	\$288,021,420	\$271,259,773
NET POSITION		
Net Investment in Capital Assets	\$ 99,532,931	\$ 87,030,071
Restricted	20,170,615	21,644,569
Unrestricted	(93,917,717)	(96,417,167)
Total Net Position	\$ 25,785,829	\$ 12,257,473

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

Current assets increased with the addition of bond funds which will be used to fund ongoing construction. Capital assets increased because of the completion of Ed Clapp elementary school and ongoing construction in progress at the Eagles elementary school and our Operations Center. The deferred outflows of resources increased with the changes of assumptions related to pensions. Current liabilities increased as a result of higher accounts payable mainly from an increase in amounts owing to contractors on the Operations Center. Long-term liabilities due within one year decreased after management's decision to complete a crossover advance refunding of a portion of the 2008 Limited tax bond that was redeemed on May 1, 2016. Long-term liabilities due outside one year increased due to the requirements to report pension related items under GASB 68. Deferred inflows of resources decreased with a change 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 Ed Clapp Elementary.

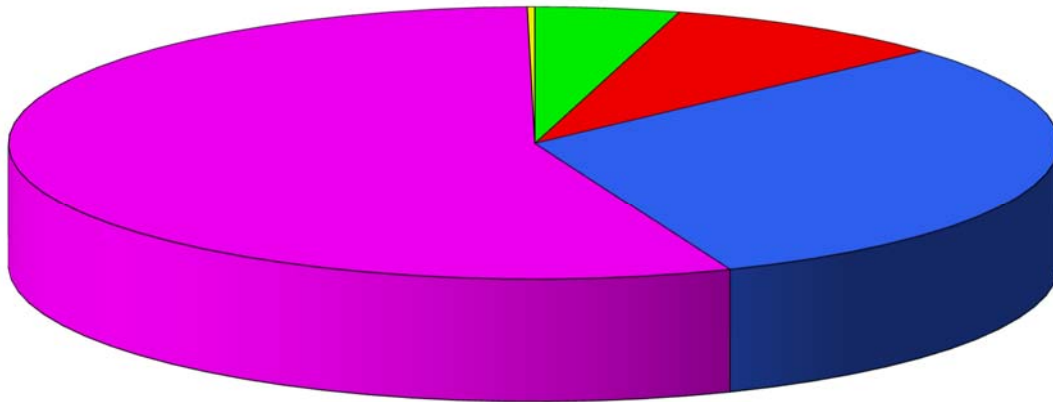
Governmental activities increased the Fargo Public School District's net position by \$13,528,356. Key elements of this increase are as follows:

BOARD OF EDUCATION OF THE CITY OF FARGO CHANGES IN NET POSITION		
Revenues	2016	2015
Program Revenues:		
Charges for Services	\$ 7,594,071	\$ 7,430,864
Operating Grants and Contributions	14,992,443	13,706,656
General Revenues		
Taxes	52,723,582	47,758,378
State Aid	95,587,318	92,225,769
Interest and Other Revenue	398,845	329,467
Total Revenues	<u>\$171,296,259</u>	<u>\$ 161,451,134</u>
Expenses		
Instruction	\$ 99,745,931	\$ 99,816,014
Support Services:		
Pupil Services	4,463,743	4,309,492
Instructional Staff Services	4,808,464	5,118,405
General Administrative Services	3,253,138	2,971,883
School Administrative Services	9,917,016	9,916,374
Business Services	4,727,200	3,217,322
Operations and Maintenance	14,842,032	16,306,669
Pupil Transportation Services	2,160,375	2,320,569
Co-Curricular Services	4,185,324	4,123,652
Food Services	5,560,030	6,338,682
Community Services	262,213	293,853
Interest and Other Charges on Long-Term Debt	3,842,437	3,914,570
Total Expenses	<u>\$157,767,903</u>	<u>\$ 158,647,485</u>
Change in Net Position	<u>\$ 13,528,356</u>	<u>\$ 2,803,649</u>
Net Position – July 1	\$ -	\$ 144,125,881
Prior Period Adjustment - Net Pension Liability	\$ -	\$(134,672,057)
Net Position – July 1, 2015 and July 1, 2014, as restated	<u>\$ 12,257,473</u>	<u>\$ 9,453,824</u>
Net Position – June 30	<u>\$ 25,785,829</u>	<u>\$ 12,257,473</u>

During the 2015 Legislative Session an increase in State Foundation Aid was approved. The Legislative Session increased the State Foundation aid to \$9,092 for the 2014-2015 fiscal year and the rate increased to \$9,365 per student for the 2015-2016 fiscal year. This resulted in the \$3,361,549 increase showing in State Aid. Decreases in operations and maintenance costs along with careful budgeting resulted in lower expenses from the prior year by \$879,582.

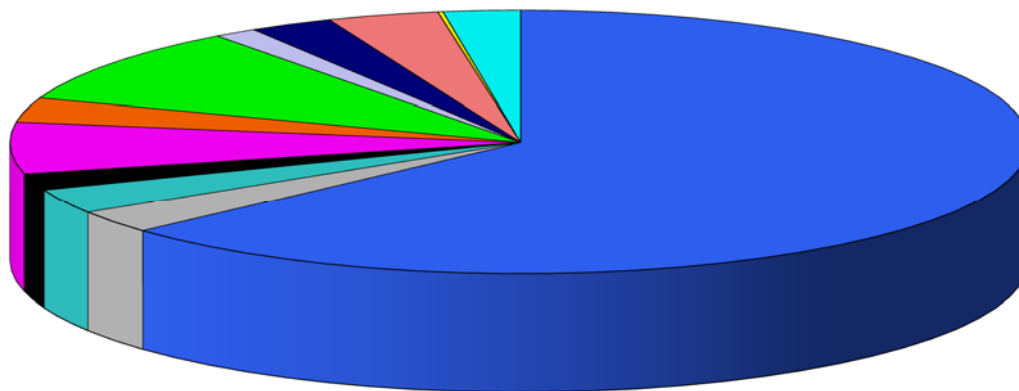
Property taxes constituted 30.78%, state aid 55.80%, operating grants/contributions 8.75%, and other revenues made up the remaining 4.67% of the total revenues of the governmental activities of the District for the 2016 fiscal year. Instruction comprises 63.22% of the district's governmental expenses, while support services account for 34.34% and interest and other charges on long-term debt 2.44%.

Revenues of the Board of Education of the City of Fargo for the Fiscal Year 2016



■ 4.44% Charges for Services	■ 8.75% Operating Grants and Contributions
■ 30.78% Taxes	■ 55.80% State Aid
■ .23% Interest and Other Revenue	

Expenses of the Board of Education of the City of Fargo for the Fiscal Year 2016



■ 63.22% Instruction	■ 2.83% Pupil Services
■ 3.05% Instructional Staff Services	■ 2.06% General Administrative Services
■ 6.29% School Administrative Services	■ 3.00% Business Services
■ 9.41% Operations and Maintenance	■ 1.37% Pupil Transportation Services
■ 2.65% Co-Curricular Services	■ 3.52% Food Services
■ .17% Community Services	■ 2.44% Interest on Long-Term Debt

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

As a result of the 2015 Legislative Session, the district's funding pattern has changed from the prior twenty years, which relied heavily on property taxes rather than state sources. The new funding formula, established in the current biennium, places more emphasis on students rather than property. As a result, state per pupil aid increased while property taxes remained fairly stable. The cost of all governmental activities this year was \$157,767,903 compared to \$158,647,485 for the year ended June 30, 2015.

- Some of the cost was paid for by the users of the district's programs. (\$7,594,071).
- The Federal and State governments subsidized certain programs with grants and contributions (\$14,992,443 for operating purposes).
- Most of the district's revenues (\$148,709,745) and increase in net position, was funded by district taxpayers and the taxpayers of the State of North Dakota
- This portion of governmental activities was paid for with \$52,723,582 in property taxes, \$95,587,318 in state aid based on the statewide education aid formula and \$398,845 with investment earnings and other general revenues.

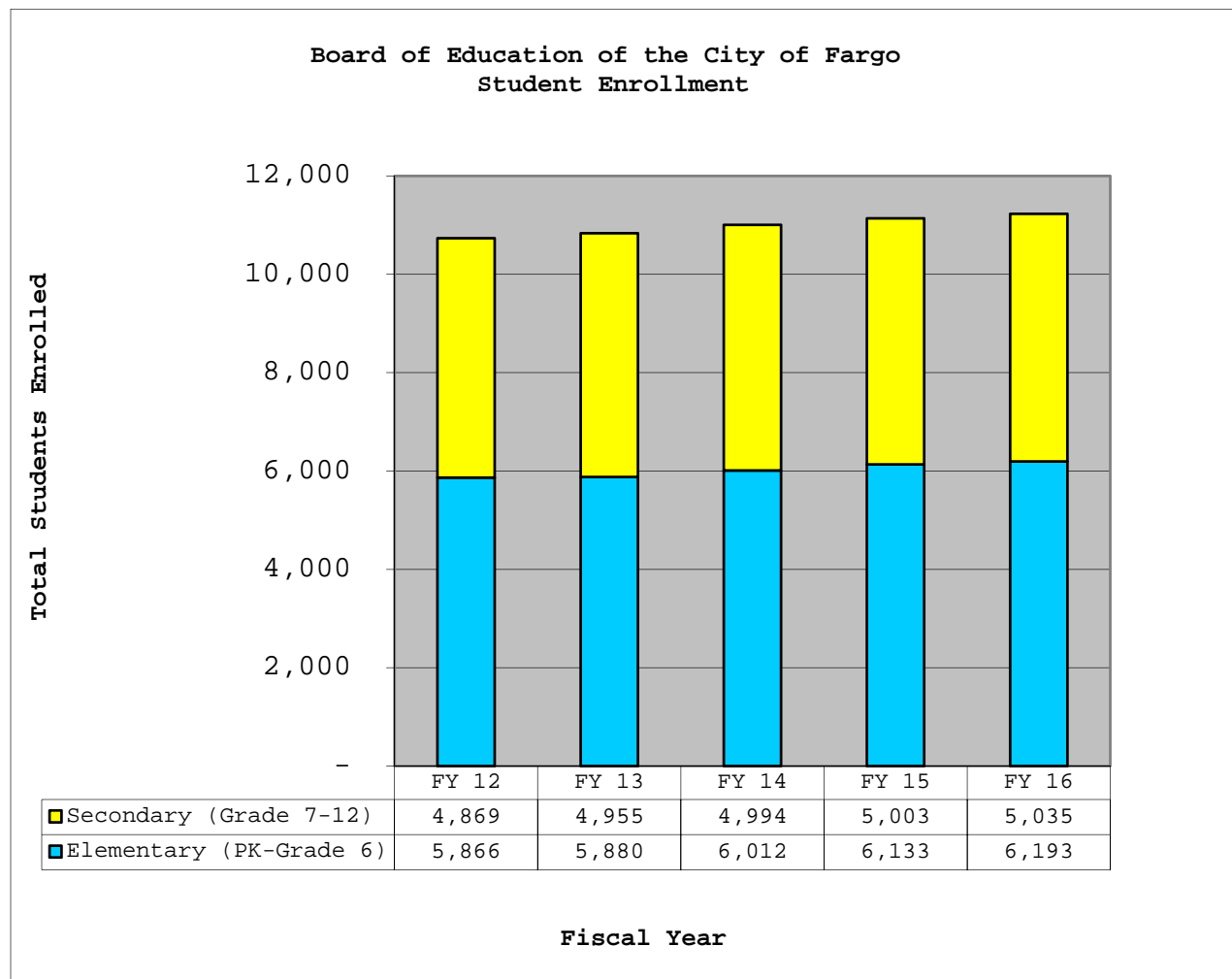
BOARD OF EDUCATION OF THE CITY OF FARGO
NET COST OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2016

	2016		2015	
	Total Cost of Service	Net Cost of Services	Total Cost of Service	Net Cost of Services
Regular Instruction	\$ 69,680,694	\$ (61,521,910)	\$ 70,448,417	\$ (62,422,185)
Special Education	23,929,574	(19,387,132)	23,254,151	(19,667,431)
Vocational Education	5,266,246	(3,783,338)	5,371,488	(4,225,678)
Adult Education	869,417	(579,466)	741,958	(447,695)
Pupil Services	4,463,743	(4,392,387)	4,309,492	(4,195,884)
Instructional Staff Services	4,808,464	(4,808,464)	5,118,405	(5,118,405)
General Admin Services	3,253,138	(3,253,128)	2,971,883	(2,971,879)
School Admin Services	9,917,016	(9,917,016)	9,916,374	(9,916,374)
Business Services	4,727,200	(4,692,075)	3,217,322	(3,058,395)
Operations & Maintenance	14,842,032	(14,459,579)	16,306,669	(15,977,304)
Pupil Transportation Service	2,160,375	(1,116,221)	2,320,569	(1,326,799)
Co-Curricular	4,185,324	(3,707,423)	4,123,652	(3,649,199)
Food Service Outlays	5,560,030	541,400	6,338,682	(354,675)
Community Services	262,213	(262,213)	293,853	(263,492)
Interest / Other Expenses	3,842,437	(3,842,437)	3,914,570	(3,914,570)
TOTAL	\$157,767,903	\$(135,181,389)	\$158,647,485	\$(137,509,965)

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 10,735 to 11,228. Fiscal year 2016 saw a 92 student increase in enrollment. Because of continuing strong development of new residential areas we anticipate that the total number of students will increase slightly or remain stable in the future.



The following schedule presents a summary of General Fund revenues.

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$ 48,523,931	\$ 44,429,346	\$4,094,585	9.22%
State Sources	99,398,412	94,885,888	4,512,524	4.76%
Federal Sources	7,793,909	8,141,404	(347,495)	(4.27)%
Other Sources	185,428	210,875	(25,447)	(12.07)%
Total General Fund Revenue	\$155,901,680	\$147,667,513	\$8,234,167	5.58%

During fiscal year 2016 the total General Fund revenue increased by \$8,234,167, or 5.58% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of a mix of property taxes and state aid revenue.

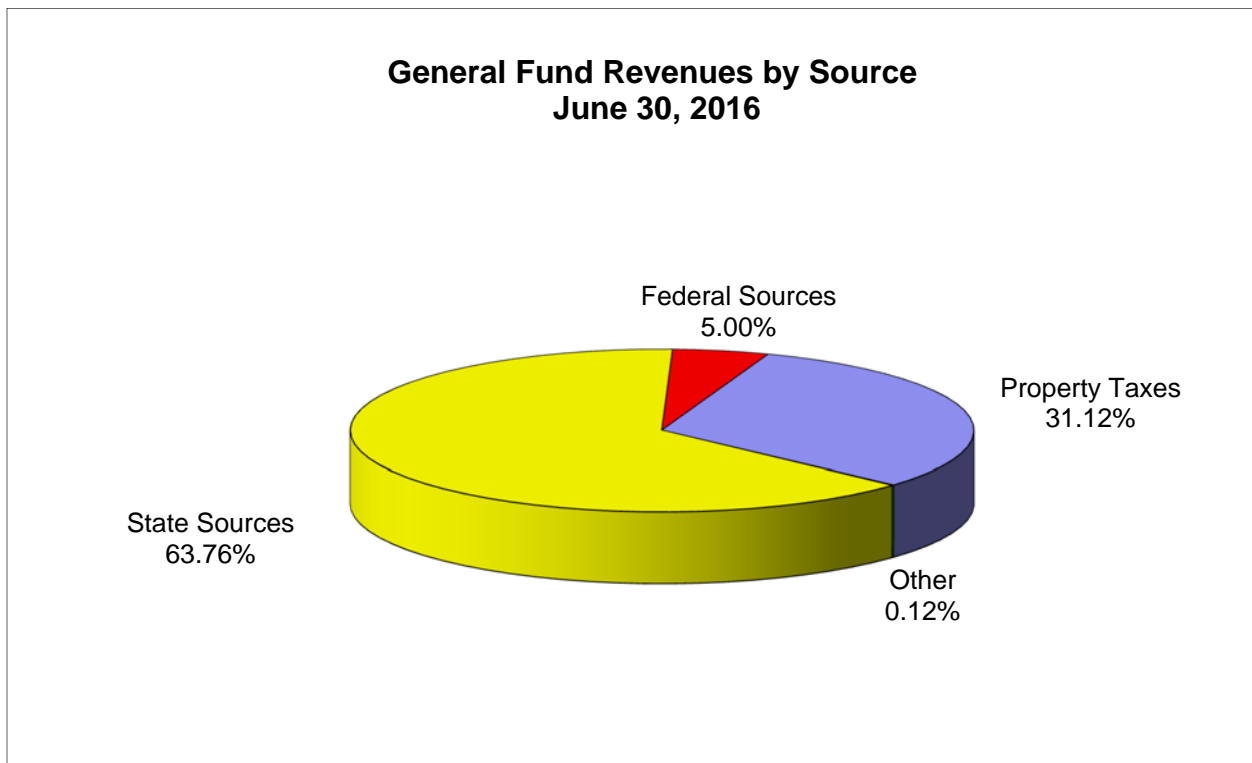
BOARD OF EDUCATION OF THE CITY OF FARGO
 Management's Discussion and Analysis - Continued

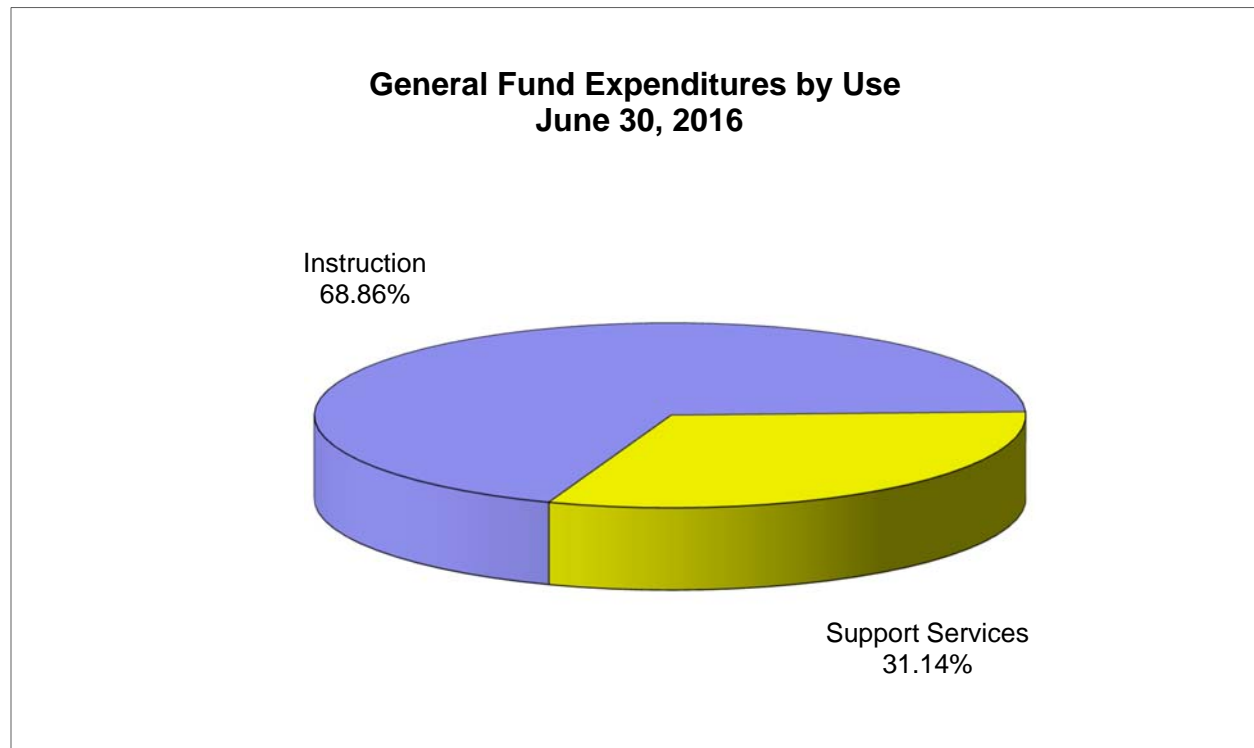
The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Instruction	\$101,544,537	\$ 97,666,318	\$3,878,219	3.97%
Support Services	45,913,791	43,083,699	2,830,092	6.57%
Capital Outlay	-	33,595	(33,595)	(100.00)%
Total General Fund Expenditures	\$147,458,328	\$140,783,612	\$6,674,716	4.74%

Total General Fund expenditures increased \$6,674,716 or 4.74% from the previous year. In fiscal year 2016, 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 2016, General Fund revenues exceeded expenditures by \$1,209,513 (after other financing sources/uses), resulting in a total fund balance of \$30,185,354, compared to a fund balance in 2015 of \$28,975,841.





General Fund Budgetary Highlights

During the year there was a \$1,154,069 increase in appropriations between the original and final revenue (and Other Financing Sources/ Uses) budget and an increase of \$2,467,123 between the original and final expenditure budget. The actual revenue amount was less than the final budget by \$183,929. The majority of this difference resulted from a lower than projected federal sources and less in tuition receipts. The actual expenditure amount was less than the final budget by \$1,955,497. The difference in expenditures from the final budget compared to actual was mainly from lower than expected instructional costs.

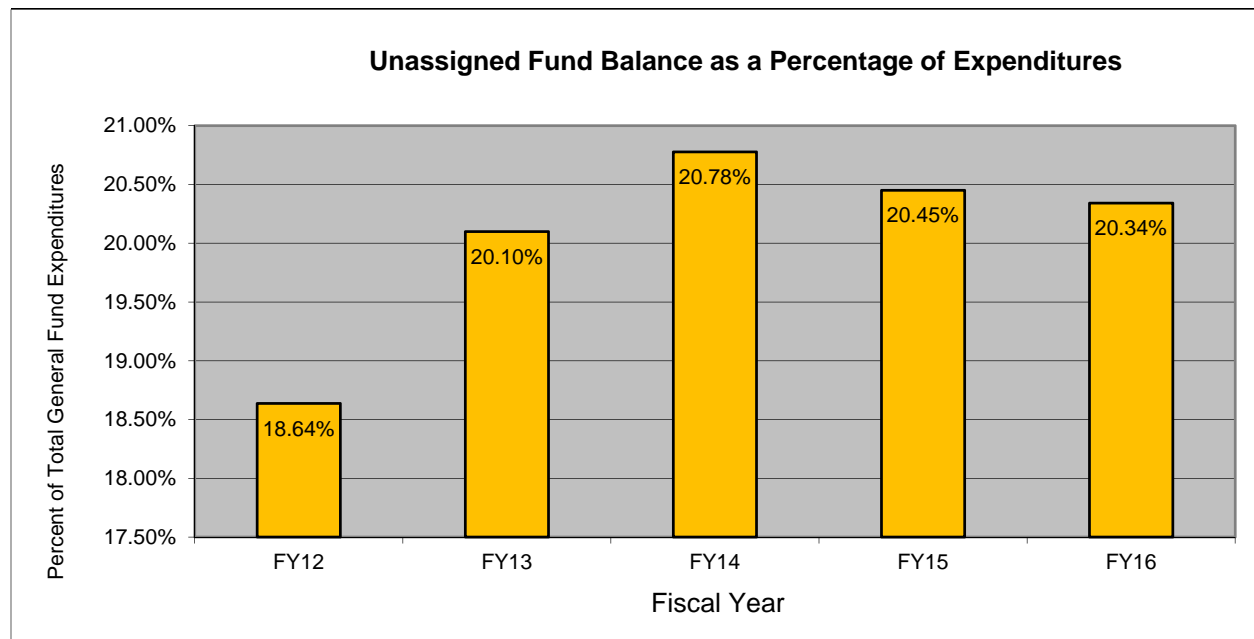
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources	\$155,878,869	\$157,032,938	\$156,849,009	\$(183,929)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures and Other Financing Uses	\$155,127,870	\$157,594,993	\$155,639,496	\$1,955,497

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

School Year	Beginning Balance July 1	Revenues	Expenditures	Other Financing Uses and Transfers In	Ending Balance June 30
2006-2007	25,186,248	108,442,734	103,833,289	(4,077,431)	25,718,262
2007-2008	25,718,262	112,477,359	105,771,454	(4,641,219)	27,782,948
2008-2009	27,782,948	115,146,900	110,414,481	(6,168,359)	26,347,008
2009-2010	26,347,008	126,859,924	115,831,876	(6,719,034)	30,656,022
2010-2011	30,656,022	137,347,429	125,333,733	(7,551,010)	35,118,708
2011-2012	35,118,708	131,096,376	132,684,435	(6,817,884)	26,712,765
2012-2013	26,712,765	135,287,423	130,758,712	(4,821,426)	26,420,050
2013-2014	26,420,050	143,256,637	135,250,478	(6,197,781)	28,228,428
2014-2015	28,228,428	147,667,513	140,783,612	(6,136,488)	28,975,841
2015-2016	28,975,841	155,901,680	147,458,328	(7,233,839)	30,185,354

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 unassigned fund balance of \$29,994,401 at June 30, 2016 represents 20.34% of annual general fund expenditures. The Board of Education of the City of Fargo established a 10% fund balance goal several years ago to help with financial stability. It substantially modified that goal to 15% and has surpassed it since fiscal year 2002. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district.

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

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 our bonds when due. The use of a debt service fund allows us to report principal, interest and other related costs separate from the ongoing operating activities of the general fund.

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$28	\$24	\$4	16.67%

Total Debt Service Fund revenues increased \$4 or 16.67% from the previous year. The reason for the increase during fiscal year 2016 was interest earned on bond funds.

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Principal	\$ 7,362,492	\$ 6,775,000	\$ 587,492	8.67%
Interest	3,447,800	3,591,491	(143,691)	(4.00)%
Total Debt Service Expenditures	\$10,810,292	\$10,366,491	\$ 443,801	4.28%

Total Debt Service Fund expenditures increased \$443,801 or 4.28% from the previous year. In fiscal year 2016, debt service expenditures increased due to normal debt retirement. Also, it should be noted that a payment of \$26,455,000 was made to the bond escrow agent for the current refunding of the \$33,000,000 Limited Tax Building Bond, series 2008 Bond on May 1, 2016.

CAPITAL PROJECTS FUND

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

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$8,999,418	\$7,747,088	\$1,252,330	16.17%

Total Capital Projects Fund revenues increased \$1,252,330 or 16.17% from the previous year. The primary reasons for the increase during fiscal year 2016 was the sale our warehouse and central kitchen facility to the Cass county Joint Water Resource District and the proceeds from the sale of bonds.

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

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operations & Maint.	\$ 184,294	\$ 2,150	\$ 182,144	8,471.81%
Capital Outlay	12,825,437	17,748,966	(4,923,529)	(27.74)%
Principal	1,133,184	611,450	521,734	85.33%
Interest	213,321	87,452	125,869	143.93%
Bond Costs	518,233	296,985	221,248	74.50%
Total Capital Projects Expenditures	\$14,874,469	\$18,747,003	\$(3,872,534)	(20.66)%

Total Capital Projects Fund expenditures decreased \$3,872,534 or (20.66%) from the previous year. In fiscal year 2016, capital outlay expenditures decreased because of the completion of construction on the Ed Clapp elementary school.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the Fargo Public School District had \$206,998,596 invested in capital assets, (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, equipment and vehicles, and construction in progress.

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

	2016	2015
Land and Land Improvements	\$ 13,418,098	\$ 11,395,198
Buildings and Improvements	178,251,151	156,734,379
Equipment and Vehicles	3,435,856	3,170,141
Construction in Progress	11,893,491	25,721,595
Total Capital Assets	\$206,998,596	\$197,021,313

Construction in Progress decreased and Buildings and Improvements increased due to the completion of Ed Clapp elementary school which opened in the fall of 2015. More detailed information about capital assets can be found in Note 12 to the financial statements.

Long-Term Liabilities

At the end of the current fiscal year, the district had \$261,241,065 in long-term liabilities. Of this amount, \$104,059,920 is long-term debt and \$6,025,187 is the current liability due within one year, both consisting of bonds payable and special assessments payable. The Fargo Public School District increased its existing debt obligations by \$19,859,310. The key factor for this is the addition to Net Pension liability totaling \$24,923,688. More detailed information about the district's long-term liabilities is presented in Note 19 to the financial statements.

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

	2016	2015
General Obligation Bonds Payable	\$ 91,577,508	\$ 93,435,000
Paid Leave System Payable	2,288,554	1,934,709
Special Assessments Payable	447,412	514,166
Building Authority Revenue Bonds Payable	12,035,000	15,435,000
Compensated Absences Payable	423,655	464,703
Sick Leave Longevity Payable	292,809	414,044
PTO Payable	425,234	356,928
Net Pension Liability	153,750,893	128,827,205
Total	\$261,241,065	\$241,381,755

Economic Factors and Next Year's Budget

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

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

We also wanted mill levy increases to be minimal or even decline over time. Since fiscal year 2001, the general fund mill levy has declined from 295.46 mills to the current levy of 139.00 mills. This is a result of both the district's commitment to being good stewards of tax payer money and the legislative action described above. Legislative action reduced the general fund mill levy by 125 mills over this period and the district reduced the mill levy an additional 31.46 mills. This reduction, by the district, was beyond what was prescribed by law.

The Fargo Public School district held a special election in March of 2014 to request excess mill levy authority. As a result of the 2009 Legislative action to provide property tax relief, renewing taxpayer authorization of excess levy authority is required no later than December 31, 2015. The district did not receive a favorable outcome during the special election. Over the past 2 fiscal years, Fargo Public Schools had taken a proactive approach to operations with development and approval of three long-range plans: 1.) Long Range Facilities Plan, approved in fiscal year 2013-14; 2.) Strategic Plan, approved in fiscal year 2014-15; and 3.) Long Range Financial Plan approved in 2014-15. These three plans are all aligned to provide direction to the district over the next 10 years, with annual reviews.

BOARD OF EDUCATION OF THE CITY OF FARGO

Management's Discussion and Analysis - Continued

With the frozen local revenue becoming a reality beginning with the 2016-17 fiscal year budget, Fargo Public Schools developed a Standard of Effort report to compare district spending and programming efforts with the largest school districts in the state. Further, we convened a Financial Planning Taskforce during the 2015-16 fiscal year to analyze this report and provide recommendations to the Board of Education regarding the potential of a public mill levy vote. The strongest recommendation coming from this effort was to return the mill levy vote to the taxpayers sooner rather than later, to remove the freeze on local revenue and cap the district at an acceptable level of mills to meet the current Standard of Effort. Subsequently, the Board of Education has decided to take the question to the public in March 2017 to cap the district at the number of mills certified by the country for the 2016-17 fiscal year.

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

Requests for Information

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

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

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

STATEMENT OF NET POSITION
June 30, 2016 (Summarized Comparative Totals 2015)

	Governmental Activities	
	2016	2015
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>		
Current Assets:		
Cash and Investments	\$ 63,900,492	\$ 54,927,250
Cash with Fiscal Agent	5,999,938	9,721,464
Accounts Receivable	124,427	69,935
Taxes Receivable	2,133,792	2,068,519
Intergovernmental Receivables	2,077,934	3,154,558
Due from County Treasurer	2,373,242	2,273,489
Inventories	203,641	184,425
Other Asset	-	13,296
Contracts Receivable	2,160,000	2,416,783
Interest Receivable	10,979	1,603
Prepaid Expenses	128,682	138,626
Non-Current Assets:		
Capital Assets (Not Being Depreciated)		
Land	13,418,098	11,395,198
Construction in Progress	11,893,491	25,721,595
Capital Assets (Net of Accumulated Depreciation)		
Buildings and Improvements	178,251,151	156,734,379
Equipment and Vehicles	3,435,856	3,170,141
Total Capital Assets	<u>\$ 206,998,596</u>	<u>\$ 197,021,313</u>
Total Assets	<u>\$ 286,111,723</u>	<u>\$ 271,991,261</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Differences between Expected and Actual Experience	\$ 1,335,602	\$ 1,348,612
Changes of Assumptions	15,623,325	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	103,313	-
District Contributions Subsequent to the Measurement Date	10,633,286	10,177,373
Total Deferred Outflows of Resources	<u>\$ 27,695,526</u>	<u>\$ 11,525,985</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 313,807,249</u>	<u>\$ 283,517,246</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</u>		
Accounts Payable	\$ 4,190,563	\$ 2,302,666
Salaries and Benefits Payable	7,957,145	7,379,814
Due to Other Agencies	114,340	127,354
Contracts Payable	812,517	679,557
IBNR Claims	1,925,012	1,393,126
Interest Payable	1,065,138	883,822
Unearned Revenue-(Food Service Commodities and Lunch Credits)	142,114	157,928
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable (Net of Unamortized Premiums and Discounts)	6,441,923	17,331,813
Special Assessments Payable	34,970	66,753
Due After One Year:		
Bonds Payable (Net of Unamortized Premiums and Discounts)	101,023,742	92,659,429
Special Assessments Payable	412,442	447,413
Compensated Absences	423,655	464,703
Paid Leave System Payable	2,288,554	1,934,709
Sick Leave Longevity Payable	292,809	414,044
PTO Payable	425,234	356,928
Net Pension Liability	153,750,893	128,827,205
Total Liabilities	<u>\$ 281,301,051</u>	<u>\$ 255,427,264</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Changes of Assumptions	\$ 1,301,532	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,877,414	-
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	3,541,423	15,832,509
Total Deferred Inflows of Resources	<u>\$ 6,720,369</u>	<u>\$ 15,832,509</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 288,021,420</u>	<u>\$ 271,259,773</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$ 99,532,931	\$ 87,030,071
Restricted For:		
Capital Projects	20,170,588	21,644,544
Debt Service	27	25
Unrestricted	<u>(93,917,717)</u>	<u>(96,417,167)</u>
Total Net Position	<u>\$ 25,785,829</u>	<u>\$ 12,257,473</u>

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

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016 (Summarized Comparative Totals 2015)

	2016			2015	
	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		
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 69,680,694	\$ 2,606,731	\$ 5,552,053	\$ (61,521,910)	\$ (62,422,185)
Special Education	23,929,574	480,903	4,061,539	(19,387,132)	(19,667,431)
Vocational Education	5,266,246	268,721	1,214,187	(3,783,338)	(4,225,678)
Adult Education	869,417	-	289,951	(579,466)	(447,695)
Support Services:					
Pupil Services	4,463,743	71,356	-	(4,392,387)	(4,195,884)
Instructional Staff Services	4,808,464	-	-	(4,808,464)	(5,118,405)
General Administrative Services	3,253,138	10	-	(3,253,128)	(2,971,879)
School Administrative Services	9,917,016	-	-	(9,917,016)	(9,916,374)
Business Services	4,727,200	35,125	-	(4,692,075)	(3,058,395)
Operations and Maintenance	14,842,032	382,453	-	(14,459,579)	(15,977,304)
Pupil Transportation Services	2,160,375	4,159	1,039,995	(1,116,221)	(1,326,799)
Co-Curricular	4,185,324	477,901	-	(3,707,423)	(3,649,199)
Food Service	5,560,030	3,266,712	2,834,718	541,400	(354,675)
Community Services	262,213	-	-	(262,213)	(263,492)
Interest and Other Charges on Long-Term Debt	3,842,437	-	-	(3,842,437)	(3,914,570)
Total Governmental Activities	\$ 157,767,903	\$ 7,594,071	\$ 14,992,443	\$ (135,181,389)	\$ (137,509,965)
<u>General Revenues:</u>					
Taxes:					
Property Taxes; Levied for General Purposes				\$ 42,408,433	\$ 38,586,475
Property Taxes; Levied for Debt Service				8,329,676	7,175,474
Other Tax Revenue				1,985,473	1,996,429
State Aid not Restricted to Specific Program:					
Per Pupil Aid				95,587,318	92,225,769
Interest Income and Other Revenue				398,845	329,467
Total General Revenues				\$ 148,709,745	\$ 140,313,614
Change in Net Position				\$ 13,528,356	\$ 2,803,649
Net Position - July 1, 2014				\$ -	\$ 144,125,881
Prior Period Adjustment - Net Pension Liability				-	(134,672,057)
Net Position-July 1, 2015 & July 1, 2014, as restated				\$ 12,257,473	\$ 9,453,824
Net Position - June 30				\$ 25,785,829	\$ 12,257,473

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

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

BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2016 (Summarized Comparative Totals 2015)

	MAJOR FUNDS				Total Governmental Funds	
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	2016	2015
	<u>ASSETS</u>					
Cash and Investments	\$ 36,005,937	\$ -	\$ 17,434,129	\$ 2,840,076	\$ 56,280,142	\$ 46,903,162
Cash with Fiscal Agent	-	27	5,999,911	-	5,999,938	9,721,464
Interest Receivable	10,979	-	-	-	10,979	1,603
Accounts Receivable	123,013	-	-	1,414	124,427	43,931
Taxes Receivable	1,783,902	-	349,890	-	2,133,792	2,068,519
Intergovernmental Receivable	1,887,158	-	185,911	4,865	2,077,934	3,154,558
Due from County Treasurer	1,983,560	-	389,682	-	2,373,242	2,273,489
Contracts Receivable	2,160,000	-	-	-	2,160,000	2,416,783
Inventories	190,953	-	-	12,688	203,641	184,425
Other Asset	-	-	-	-	-	13,296
Prepaid Expenses	-	-	-	-	-	16,410
Total Assets	\$ 44,145,502	\$ 27	\$ 24,359,523	\$ 2,859,043	\$ 71,364,095	\$ 66,797,640
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 2,034,882	\$ -	\$ 1,879,848	\$ 257,495	\$ 4,172,225	\$ 2,280,444
Salaries and Benefits Payable	7,851,044	-	-	98,557	7,949,601	7,376,494
Due to Other Agencies	114,340	-	-	-	114,340	127,354
Contracts Payable	15,980	-	796,537	-	812,517	679,557
Unearned Revenue-Food Service Commodity Inventory	-	-	-	2,664	2,664	4,245
Unearned Revenue-Food Service Lunch Credits	-	-	-	139,450	139,450	153,683
Total Liabilities	\$ 10,016,246	\$ -	\$ 2,676,385	\$ 498,166	\$ 13,190,797	\$ 10,621,777
<u>Deferred Inflows of Resources:</u>						
Uncollected Taxes Receivable	\$ 1,783,902	\$ -	\$ 349,890	\$ -	\$ 2,133,792	\$ 2,068,519
Uncollected Contracts Receivable	2,160,000	-	-	-	2,160,000	2,416,783
Total Deferred Inflows of Resources	\$ 3,943,902	\$ -	\$ 349,890	\$ -	\$ 4,293,792	\$ 4,485,302
<u>Fund Balances:</u>						
<u>Nonspendable:</u>						
Inventories	\$ 190,953	\$ -	\$ -	\$ 10,024	\$ 200,977	\$ 180,180
Prepaid Expenses	-	-	-	-	-	16,410
Contracts Receivable	-	-	-	-	-	2,416,783
<u>Restricted:</u>						
Debt Service	-	27	-	-	27	25
Capital Projects Fund	-	-	21,333,248	-	21,333,248	17,882,495
<u>Assigned:</u>						
Special Revenue Fund-Food Service	-	-	-	2,350,853	2,350,853	2,405,004
Unassigned:	29,994,401	-	-	-	29,994,401	28,789,664
Total Fund Balances	\$ 30,185,354	\$ 27	\$ 21,333,248	\$ 2,360,877	\$ 53,879,506	\$ 51,690,561
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 44,145,502	\$ 27	\$ 24,359,523	\$ 2,859,043	\$ 71,364,095	\$ 66,797,640

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

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balances for Governmental Funds		\$ 53,879,506
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	\$ 274,158,745	
Less: Accumulated Depreciation	(67,160,149)	
Net Capital Assets		206,998,596
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as uncollected revenues in the funds.		2,133,792
Contracts receivable are amounts due from the park district which will be collected in future years. They are reported as uncollected revenue in the governmental funds.		2,160,000
Interest payable on long-term debt is not accrued in the governmental fund statements until due, but is recorded as an expense on the statement of net position.		(1,065,138)
Net Pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.		(153,750,893)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Difference between Expected and Actual Experience	\$ 1,335,602	
Changes of Assumptions	14,321,793	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(1,877,414)	
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	(3,438,110)	
District Contributions Subsequent to the Measurement Date	10,633,286	
Net Deferred Outflows and Deferred Inflows		20,975,157
Long-term assets and liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund assets or liabilities. All assets and liabilities, both current and long-term, are reported in the statement of net position.		
Balances at June 30, 2016 are:		
Bonds Payable	\$ (103,612,508)	
Sick Leave Longevity	(292,809)	
PTO Payable	(425,234)	
Unamortized Bond Discount	51,781	
Unamortized Bond Premium	(3,904,938)	
Paid Leave System Payable	(2,288,554)	
Special Assessments	(447,412)	
Compensated Absences	(423,655)	
Total Long-Term Liabilities		(111,343,329)
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 assets. Internal service fund net position is:		5,798,138
Total Net Position of Governmental Activities		<u>\$ 25,785,829</u>

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

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2016 (Summarized Comparative Totals 2015)

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds	
	General	Debt Service	Capital Projects		2016	2015
Revenues:						
Local Sources	\$ 48,523,931	\$ 28	\$ 8,999,418	\$ 3,751,925	\$ 61,275,302	\$ 56,043,730
State Sources	99,398,412	-	-	61,336	99,459,748	94,945,777
Federal Sources	7,793,909	-	-	2,773,382	10,567,291	10,710,207
Other Sources	185,428	-	-	-	185,428	210,875
Total Revenues	\$ 155,901,680	\$ 28	\$ 8,999,418	\$ 6,586,643	\$ 171,487,769	\$ 161,910,589
Expenditures:						
Current:						
Instruction:						
Regular	\$ 70,810,878	\$ -	\$ -	\$ -	\$ 70,810,878	\$ 68,965,147
Special Education	24,420,358	-	-	-	24,420,358	22,724,862
Vocational Education	5,426,695	-	-	-	5,426,695	5,219,095
Adult Education	886,606	-	-	-	886,606	757,214
Support Services:						
Pupil Services	4,410,997	-	-	-	4,410,997	4,243,820
Instructional Staff Services	4,975,739	-	-	-	4,975,739	4,981,551
General Administration Services	2,618,431	-	-	-	2,618,431	2,461,995
School Administration Services	10,078,238	-	-	-	10,078,238	9,652,255
Business Services	4,897,258	-	-	-	4,897,258	3,169,752
Operations and Maintenance	16,226,326	-	184,294	-	16,410,620	15,821,884
Pupil Transportation Services	2,209,448	-	-	-	2,209,448	2,247,814
Co-Curricular	230,387	-	-	4,057,037	4,287,424	4,012,926
Food Service Outlays	-	-	-	6,233,833	6,233,833	6,111,901
Community Services	266,967	-	-	-	266,967	289,205
Capital Outlays	-	-	12,825,437	-	12,825,437	17,782,561
Debt Service:						
Principal	-	7,362,492	1,133,184	-	8,495,676	7,386,450
Interest	-	3,447,800	213,321	-	3,661,121	3,678,943
Bond Costs	-	-	518,233	-	518,233	296,985
Total Expenditures	\$ 147,458,328	\$ 10,810,292	\$ 14,874,469	\$ 10,290,870	\$ 183,433,959	\$ 179,804,360
Excess of Revenues Over (Under) Expenditures	\$ 8,443,352	\$ (10,810,264)	\$ (5,875,051)	\$ (3,704,227)	\$ (11,946,190)	\$ (17,893,771)
Other Financing Sources (Uses):						
Transfers In	\$ 919,671	\$ 37,265,270	\$ 10,949,406	\$ 3,649,687	\$ 52,784,034	\$ 25,120,133
Transfers Out	(8,181,168)	-	(44,602,866)	-	(52,784,034)	(25,120,133)
Debt Issuance	-	-	29,470,000	-	29,470,000	19,585,000
Payment to the Refunded Bond Escrow Agent	-	(26,455,000)	-	-	(26,455,000)	(10,000,000)
Premium on the Sale of Bonds	-	-	3,002,555	-	3,002,555	312,351
Sale of Capital Assets	27,658	-	8,089,922	-	8,117,580	235,707
Total Other Financing Sources (Uses)	\$ (7,233,839)	\$ 10,810,270	\$ 6,909,017	\$ 3,649,687	\$ 14,135,135	\$ 10,133,058
Net Change in Fund Balances	\$ 1,209,513	\$ 6	\$ 1,033,966	\$ (54,540)	\$ 2,188,945	\$ (7,760,713)
Fund Balance - July 1	\$ 28,975,841	\$ 21	\$ 20,299,282	\$ 2,415,417	\$ 51,690,561	\$ 59,451,274
Fund Balance - June 30	\$ 30,185,354	\$ 27	\$ 21,333,248	\$ 2,360,877	\$ 53,879,506	\$ 51,690,561

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

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

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	2,188,945
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	\$ 14,484,040	
Current Year Depreciation	<u>(4,506,757)</u>	9,977,283
In the Statement of Activities, the gain or loss on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.		
Net Gain on the Sale of Capital Assets		2,261,138
An internal service fund is used by the district's management to charge the cost of medical insurance, workers' compensation and unemployment claims to individual funds. The net revenue / loss of the internal service fund is reported with governmental activities.		
		(955,502)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Net Decrease in Compensated Absences	\$ 41,048	
Net Decrease in Sick Leave Longevity Payable	121,235	
Net Increase in Paid Leave System Payable	(353,845)	
Net Increase in PTO Payable	(68,306)	
Net Increase in Interest Payable	(181,316)	
Net Decrease in Special Assessments	<u>66,754</u>	(374,430)
Bond proceeds are reported as financing sources in governmental funds that contribute to the change in fund balance. In the government wide statements, however, issuing debt increases long-term liabilities in the Statement of Position and does not affect the statement of activities.		
2015C State Construction Bond	\$ (6,000,000)	
2016A Limited Tax Refunding Bond	(9,160,000)	
2016B Limited Tax Refunding Bond	(14,310,000)	
Bond Premium	<u>(3,002,555)</u>	(32,472,555)
Bond issuance costs, whether paid out of the proceeds of debt issuance or paid from other resources, are reported as expenditures in the governmental funds when they occur.		
		518,233
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		(2,728,776)
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		(3,139)
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.		
		34,950,676
The Net Pension Liability, and related Deferred Outflows of Resources and Deferred inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.		
Increase in Net Pension Liability	\$ (24,923,688)	
Increase in Deferred Outflows of Resources	16,169,541	
Decrease in Deferred Inflows of Resources	<u>9,112,140</u>	357,993
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of uncollected taxes and uncollected contracts receivable.		
Decrease in Uncollected Taxes Receivable	\$ 65,273	
Decrease in Uncollected Contracts Receivable	<u>(256,783)</u>	(191,510)
Change in Net Position of Governmental Activities		<u>\$ 13,528,356</u>

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

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016 (Summarized Comparative Totals 2015)

	Internal Service Fund	
	2016	2015
<u>ASSETS:</u>		
<u>Current Assets:</u>		
Cash and Investments	\$ 7,620,350	\$ 8,024,088
Accounts Receivable	-	26,004
Prepaid Expenses	128,682	122,216
Total Current Assets	\$ 7,749,032	\$ 8,172,308
<u>LIABILITIES:</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 18,338	\$ 22,222
Salaries Payable	7,544	3,320
IBNR Claims	1,925,012	1,393,126
Total Current Liabilities	\$ 1,950,894	\$ 1,418,668
<u>NET POSITION:</u>		
Restricted For:		
Prepaid Expenses	\$ 128,682	\$ 122,216
Patient Centered Outcomes Research Inst. (PCORI)	2,733	5,428
Transitional Reinsurance Program (TRP)	72,278	119,416
Unrestricted	5,594,445	6,506,580
Total Net Position	\$ 5,798,138	\$ 6,753,640

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

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

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

For the Year Ended June 30, 2016 (Summarized Comparative Totals 2015)

	Internal Service Fund	
	2016	2015
<u>Operating Revenues:</u>		
Contributions to Self-Insurance	<u>\$ 17,305,276</u>	<u>\$ 16,418,480</u>
<u>Operating Expenses:</u>		
Health Insurance Claims	<u>\$ 18,260,778</u>	<u>\$ 17,187,340</u>
Operating Income (Loss)	<u>\$ (955,502)</u>	<u>\$ (768,860)</u>
Total Net Position - July 1	<u>\$ 6,753,640</u>	<u>\$ 7,522,500</u>
Total Net Position - June 30	<u>\$ 5,798,138</u>	<u>\$ 6,753,640</u>

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

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended June 30, 2016 (Summarized Comparative Totals 2015)

	Internal Service Fund	
	2016	2015
<u>Cash Flows From Operating Activities:</u>		
Received from User Charges	\$ 17,324,814	\$ 16,290,668
Payments for Health Insurance Claims	(17,728,552)	(17,493,349)
Net Cash Used/Provided by Operating Activities	\$ (403,738)	\$ (1,202,681)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (403,738)	\$ (1,202,681)
Cash and Cash Equivalents Beginning of Year	\$ 8,024,088	\$ 9,226,769
Cash and Cash Equivalents End of Year	\$ 7,620,350	\$ 8,024,088
 <u>Reconciliation of Operating Income (Loss) to net Cash Provided By Operating Activities:</u>		
Operating Income (Loss)	\$ (955,502)	\$ (768,860)
Adjustments to reconcile operating income (loss) to		
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	26,004	(5,595)
Increase in Prepaid Expenses	(6,466)	(122,216)
Decrease in Accounts Payable	(3,884)	(236,786)
Increase in Salaries Payable	4,224	3,320
Increase in IBNR Claims Payable	531,886	(72,544)
Net Cash Used/Provided by Operating Activities	\$ (403,738)	\$ (1,202,681)

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

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2016 (Summarized Comparative Totals 2015)

	Agency Funds	
	Student Activity Fund	Student Activity and Evaluation and Training Center Fund
	Total 2016	Total 2015
ASSETS:		
Cash and Investments	\$ 2,164,152	\$ 2,395,501
Due from Other Governmental Units	416,654	445,441
Accounts Receivable	48,105	46,541
Other Asset	-	9,376
Total Assets	<u>\$ 2,628,911</u>	<u>\$ 2,896,859</u>
LIABILITIES:		
Accounts Payable	1,021,666	154,383
Due to Other Agencies	-	168,025
Due to Student Groups	1,607,245	2,574,451
Total Liabilities	<u>\$ 2,628,911</u>	<u>\$ 2,896,859</u>

* On July 1, 2015 the Evaluation and Training Center dissolved their fiduciary partnership with the District.

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

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of the Board of Education of the City of Fargo. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. 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 Board of Education of the City of Fargo.

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

BLENDING COMPONENT UNIT

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

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

B. Basis of Presentation, Basis of Accounting

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

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

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

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

The school district reports the following governmental funds:

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

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

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

Additionally, the school district reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets

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

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

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

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents consist of deposits with a maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the uninsured balance. The bank balances of the district, as of the balance sheet date, are entirely insured or collateralized with securities held by the school system or its agent in the school system's name.

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

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

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

F. Inventories

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

The valuation of food service commodity inventory is established by the USDA and provided to the district. The value of the commodities inventory at June 30, 2016 was \$2,664.

G. Capital Assets

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

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

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

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

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

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

Land and Construction in Progress are not depreciated.

H. Compensated Absences

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:

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. Teachers and OT/PT's may request payment for unused personal leave, based on contracted daily hours at their current salary step for each personal day accumulated. All other nine and ten month employees who request payment for unused personal leave will be paid at the current year's third step of the salary schedule in group two.

Sick Leave:

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. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position and are paid out of the capital projects fund and general fund respectively. Bond premiums and discounts are recognized as long-term and amortized over the life of the bonds. Bond issuance costs are expensed as they incur.

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

J. Fund Balance and Net Position

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

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy:

The Board of Education of the City of Fargo established a 10% general fund carryover balance goal several years ago to help with financial stability. It substantially modified that goal to 15% and has surpassed it since fiscal year 2002. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. The unassigned general fund balance of \$29,994,401 at June 30, 2016 represents 20.34% of annual general fund expenditures.

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

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, permanent principal endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose and revenues restricted by enabling legislation.

Table continued on next page...

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

CLASSIFICATION	DEFINITION	EXAMPLES
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School District Board of Directors. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the business manager.	By business manager action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance. (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Nonspendable Fund Balances – consist of the following items at June 30, 2016

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

- (a) Inventory in the general fund is a nonspendable amount totaling \$190,953.

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

- (a) Inventory in the Special Revenue Fund – (Food Service), consists of non-commodity food and supplies that are nonspendable in an amount totaling \$10,024.

Restricted Fund Balances – consist of the following items at June 30, 2016:

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

- (a) Capital Projects fund balance. This is restricted for the advance refunding of a portion of the 2032 principal maturity, and 2033 maturities of the 2014 Limited Tax Bonds to be paid in August of 2019 totaling \$5,999,911. The remaining amount of \$15,333,337 is restricted for construction.

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

- (a) Debt Service fund balance. This is legally restricted cash held by US Bank for the payment of Bond principal or interest due, or for construction costs incurred. \$27.

Assigned Fund Balances – consist of the following items at June 30, 2016:

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

- (a) Food Service assigned balance of \$2,350,853. This is used only for Food Service purposes.

Unassigned Fund Balance – consists of the following item at June 30, 2016:

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

- (a) The unassigned fund balance amount of \$29,994,401 is available to fund all other operating expenditures not already classified in other areas in accordance with governmental accounting standards as promulgated by the Governmental Accounting Standards Board.

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

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

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

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

Net Position:

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

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

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

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

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

K. Interfund Transactions

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

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board amended the school district budget for 2016 as follows:

	REVENUES		
	Original Budget	Amendment	Amended Budget
General Fund	\$154,816,369	\$1,221,569	\$156,037,938

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

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$147,492,761	\$2,467,123	\$149,959,884

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits:

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

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

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

At the year ended June 30, 2016, the Fargo Public School District's carrying amount of all deposits, (less investments of \$10,000,000 and \$1,803 in petty cash held at the schools), was \$56,062,843 and the bank balances were \$62,113,743. Of the bank balances, \$1,811,963 was covered by Federal Depository Insurance. The remaining balances of \$60,301,780 were collateralized with securities held by the pledging financial institution's agent in the school district's name.

Additional information on deposits is located in Note 1E.

Investments:

As of June 30, 2016 the school district had the following investments and maturities:

Investment Type	Fair Value	Maturity
Repurchase Agreement-Starion	\$ 5,000,000	157 Days
Repurchase Agreement-First International	5,000,000	281 Days
Total	\$10,000,000	

Cash with Fiscal Agent:

The amount of \$5,999,938 reported in the financial statements at June 30, 2016, 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, 2016, the school district had certificates of deposits totaling \$10,000,000.

Concentration of Credit Risk:

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

NOTE 4: ACCOUNTS RECEIVABLE

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

NOTE 5: TAXES RECEIVABLE

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

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

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

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

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 7: DUE FROM COUNTY TREASURER

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

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

NOTE 8: INVENTORIES

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

NOTE 9: CONTRACTS RECEIVABLE

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

\$3,400,000 Contract Receivable for 2009 Lease Revenue Bonds, due in annual installments of \$235,000 to \$315,000 through May 2024, interest at 4.4%-5.2%. \$2,160,000

NOTE 10: INTEREST RECEIVABLE

The interest receivable reported is the amount of interest that has been earned, but which has not yet been received in cash, on the certificates of deposit with Starion Financial and First International Bank and Trust.

NOTE 11: PREPAID EXPENSES

A prepaid expense is an expense that is paid for in the current accounting period, but for which the underlying asset will not be entirely consumed until a future period. The Fargo Public Schools prepay health, dental and vision insurance premiums.

NOTE 12: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016.

Governmental Activities:	Balance July 1	Additions	Deletions	Balance June 30
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,395,198	\$ 2,089,000	\$ 66,100	\$ 13,418,098
Construction in Progress	25,721,595	12,825,437	26,653,541	11,893,491
Total capital assets, not depreciated	\$ 37,116,793	\$14,914,437	\$26,719,641	\$ 25,311,589
<i>Capital assets, being depreciated:</i>				
Buildings and Improvements	\$213,127,562	\$26,653,541	\$ 985,411	\$238,795,692
Vehicles and Equipment	9,430,350	787,870	166,756	10,051,464
Total capital assets, being depreciated	\$222,557,912	\$27,441,411	\$ 1,152,167	\$248,847,156
Less accumulated depreciation for:				
Buildings and Improvements	\$ 56,393,183	\$ 4,479,499	\$ 328,141	\$ 60,544,541
Vehicles and Equipment	6,260,209	506,328	150,929	6,615,608
Total accumulated depreciation	\$ 62,653,392	\$ 4,985,827	\$ 479,070	\$ 67,160,149
Total capital assets being depreciated, net	\$159,904,520	\$22,455,584	\$ 673,097	\$181,687,007
Governmental activities capital assets, net	\$197,021,313	\$37,370,021	\$27,392,738	\$206,998,596

NOTE 13: ACCOUNTS PAYABLE

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

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

NOTE 14: SALARIES AND BENEFITS PAYABLE

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

NOTE 15: DUE TO OTHER AGENCIES

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

NOTE 16: CONTRACTS PAYABLE

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

NOTE 17: OPERATING LEASES RECEIVABLE

The school district, as lessor, has leased a gymnastics facility at South High School, to American Gold Gymnastics, the YMCA and Moorhead Public School District. 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 five of our schools to the City of Fargo for use as a depository and pick-up for recycling containers. Leases receivable are as follows:

	Year Ending June 30th					TOTAL
	2017	2018	2019	2020	2021	
American Gold Gymnastics	\$16,864	\$17,370	\$17,891	\$18,428	\$18,981	\$ 89,534
YMCA	5,266	5,424	5,587	1,407	-	17,684
Moorhead Public Schools	8,000	8,000	8,000	8,000	-	32,000
Fargo Public Schools Credit Union	673	-	-	-	-	673
SEEC (Southeast Education Cooperation)	18,301	-	-	-	-	18,301
SENDCAA Head Start	2,813	-	-	-	-	2,813
City of Fargo Recycling	6,375	-	-	-	-	6,375
TOTAL	\$58,292	\$30,794	\$31,478	\$27,835	\$18,981	\$167,380

NOTE 18: LEASES PAYABLE

Operating Leases – The school district has entered into various lease agreements. The Krider building has been leased from T.S. McLaughlin for vehicle storage and maintenance and a portion of the building is used for our print shop. Riverwood Park is being leased for playing fields for football practices and non-varsity football games. To alleviate parking problems for our employees, the Fargo Public School leases from The Fargo Housing and Redevelopment Authority, twenty parking spaces next to our district office. Also, during construction of our new warehouse-central kitchen facility, we are leasing temporary warehouse space from the Snyder Family Limited Partnership until February 28, 2017. Total costs for all leases were \$198,833 for the year ended June 30, 2016. The future minimum lease payments are as follows:

Year Ending June 30	Krider Building	Riverwood Park	Fargo Housing Authority	Snyder-Family Limited Partnership	Total
2017	\$60,778	\$ 323	\$7,200	\$52,000	\$120,301
2018	-	323	-	-	323
2019	-	324	-	-	324
2020	-	324	-	-	324
2021	-	324	-	-	324
2022-2026	-	1,617	-	-	1,617
2027	-	108	-	-	108
TOTAL	\$60,778	\$3,343	\$7,200	\$52,000	\$123,321

NOTE 19: LONG-TERM DEBT

Defeasance of Debt:

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

To refund the remainder of the 2008 Limited Tax Bond, the district offered at public sale its \$14,310,000 Limited Tax School Refunding Bonds, Series 2016B. On May 1, 2016, the proceeds from the 2016(B) bond were used to pay the 2017-2023 maturities and the remaining 2024 balance. The effective true interest rate of 1.5829% resulted in a net present value savings (economic gain) of \$2,499,206 and a cash flow savings of \$2,635,836. The present value savings are 12.84% of the refunded debt service.

Prior year defeasance of debt:

In prior years, the school district defeased limited tax bonds by placing the proceeds of advanced refunded bonds in an irrevocable trust with U.S. Bank for the purpose of generating resources for all future debt service payments on the old bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the district's financial statements. At June 30, 2016, \$5,999,911 remains in a trust 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.

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, 2016, the following changes occurred in liabilities reported in long-term debt.

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
Limited Tax Bonds Payable	\$ 93,435,000	\$29,470,000	\$31,327,492	\$ 91,577,508	\$3,305,217
Special Assessments	514,166	-	66,753	447,412	34,970
Building Authority Rev. Bonds	15,435,000	-	3,400,000	12,035,000	2,685,000
Compensated Absences	464,703	785,547	826,595	423,655	-
Sick Leave Longevity Payable	414,044	488,769	610,004	292,809	-
PTO Payable	356,928	121,942	53,636	425,234	-
Paid Leave System Payable	1,934,709	1,591,234	1,237,389	2,288,554	-
Net Pension Liability	128,827,205	24,923,688	-	153,750,893	-
TOTAL	\$241,381,755	\$57,381,180	\$37,521,869	\$261,241,065	\$6,025,187

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

Debt payable at June 30, 2016 is comprised of the following individual issues:

Bonds Payable:

\$24,615,000 Limited Tax Refunding Bonds, Series 2012, Refunding Series 2004(B) Bonds, due in annual installments of \$1,265,000 to \$2,965,000 through May 2023; Interest at 2.00% to 2.25%.	\$17,225,000
\$26,970,000 Limited Tax Bond, Series 2014, for the construction of Ed Clapp Elementary School, various remodeling projects and installing air conditioning in six elementary schools, due in annual installments of \$200,000 to \$4,135,000 through August of 2032; Interest at 3.25% to 4.0%.	26,070,000
\$9,835,000 Limited Tax Refunding Bond, Series 2015, Refunding Series 2007 Bonds, due in annual installments of \$500,000 to \$4,845,000 through August 2027; Interest at 2.0% to 2.5%.	9,335,000
\$9,750,000 Limited Tax Refunding Bond, Series 2015(B), effecting a crossover refunding of Limited Tax Bond Series 2008, due in annual installments of \$1,900,000 to \$5,595,000 through August 2026; Interest at 2.0%.	9,750,000
6,000,000 State School Construction Bond, Series 2015(C), effecting an Advance refunding of selected maturities of the 2014 Bonds, due in annual installments of \$275,217 to \$329,200 through June 2035; Interest at 1.0%.	5,727,508
\$9,160,000 Limited Tax Bond, Series 2016(A), for the renovation and expansion of the Eagles Elementary School, due in annual installments of \$350,000 to \$600,000 through August 2036; Interest at 2.0% to 4.0%.	9,160,000
\$14,310,000 Limited Tax Refunding Bonds, Series 2016(B), Refunding the remainder of the Series 2008 Bonds, due in annual installments of \$1,370,000 to \$3,185,000 through August 2024; Interest at 5.0%.	<u>14,310,000</u>
Total Bonds Payable	<u>\$91,577,508</u>

Building Authority Revenue Bonds:

\$19,650,000 Lease Revenue Refunding Bonds, Series 2009(B), Refunding Series 2000 Bonds, due in annual installments of \$2,065,000 to \$2,715,000 through May 2020; Interest at 3.25% to 4.0%.	\$ 9,490,000
\$1,515,000 Lease Revenue Refunding Bonds, Series 2013; Refunding Series 2006 Lease Revenue Bonds, due in annual installments of \$385,000 November 2016; Interest at .60%.	385,000
\$3,400,000 Lease Revenue Bonds of 2009; for the construction of an outdoor swimming pool at Davies High School, due in annual installments of \$235,000 to \$315,000 through May 2024; Interest at 4.4% to 5.2%.	<u>2,160,000</u>
Total Building Authority Revenue Bonds	<u>\$12,035,000</u>

Special Assessments:

Special Assessments Payable represents special assessments levied by the cities of Fargo, ND and Moorhead, MN against the school district for the District's share of the benefit derived from city funded improvements. The special assessments payable are due in annual installments of \$34,370 to \$34,970 through 2029; with interest at 4.7% to 6.0%.	\$ <u>447,412</u>
Total Long-Term Debt	<u>\$104,059,920</u>

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

The annual long-term debt service requirements at June 30, 2016, are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending June 30	Limited Tax Bonds		Building Authority Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 3,305,217	\$ 2,671,226	\$ 2,685,000	\$ 475,133
2018	4,697,969	2,630,354	2,480,000	391,363
2019	4,825,749	2,493,574	2,720,000	291,203
2020	11,238,556	2,236,148	2,975,000	180,902
2021	5,091,392	1,976,144	275,000	59,822
2022 – 2026	24,960,494	7,533,721	900,000	94,132
2027 – 2031	26,225,759	3,667,110	-	-
2032 – 2036	10,632,372	541,915	-	-
2037	600,000	9,000	-	-
TOTALS	\$91,577,508	\$23,759,192	\$12,035,000	\$1,492,555

GOVERNMENTAL ACTIVITIES		
Year Ending June 30	Special Assessments	
	Principal	Interest
2017	\$ 34,970	\$ 26,809
2018	34,370	24,747
2019	34,370	22,684
2020	34,370	20,622
2021	34,370	18,560
2022 – 2026	171,851	61,867
2027 – 2029	103,111	12,376
TOTALS	\$447,412	\$187,665

Year Ending June 30	Total Long-Term Debt	
	Principal	Interest
2017	\$ 6,025,187	\$ 3,173,168
2018	7,212,339	3,046,464
2019	7,580,119	2,807,461
2020	14,247,926	2,437,672
2021	5,400,762	2,054,526
2022 – 2026	26,032,345	7,689,720
2027 – 2031	26,328,870	3,679,486
2032 – 2036	10,632,372	541,915
2037	600,000	9,000
TOTALS	\$104,059,920	\$25,439,412

Accrued interest payable on the long term debt, as of June 30, 2016, is \$1,065,138.

NOTE 20: BOND PREMIUM

The following is a summary of changes in bond premiums for the year ended June 30, 2016.

	Balance July 1	Addition	Bond Premium Amortization	Balance June 30
2005 J-Refunding (98 Const)	\$ 66,827	\$ -	\$ 66,827	\$ -
2008 33M Limited Tax Bond	88,641	-	88,641	-
2009 3.4M Lease Revenue Bond	29,482	-	3,276	26,206
2009B 19.650M Lease Rev Bond	138,898	-	27,780	111,118
2012 24.615M Limited Tax Bond	539,963	-	67,496	472,467
2015 9.835M Limited Tax Rfdg Bond	161,004	-	12,880	148,124
2015(B) 9.750M Limited Tax Rfdg Bond	151,347	-	6,879	144,468
2016(A) 9.160M Limited Tax Bond	-	342,498	-	342,498
2016(B) 14.310M Limited Tax Rfdg Bond	-	2,660,057	-	2,660,057
Net Premium Discount	\$1,176,162	\$3,002,555	\$273,779	\$3,904,938

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

NOTE 21: BOND DISCOUNT

The following is a summary of change in bond discount for the year ended June 30, 2016.

	Balance July 1	Addition	Bond Discount Amortization	Balance June 30
2014B (26.97M) Limited Tax Bond	\$54,920	\$ -	\$3,139	\$51,781
Net Bond Discount	\$54,920	\$ -	\$3,139	\$51,781

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

Governmental Activities:	Depreciation	Bond Premium	Bond Discounts	Totals
Regular Instruction	\$2,022,503	\$(122,751)	\$1,408	\$1,901,160
Special Education	742,690	(42,333)	486	700,843
Vocational Education	150,737	(9,407)	107	141,437
Adult Education	24,627	(1,537)	18	23,108
Pupil Services	122,524	(7,647)	88	114,965
Instructional Staff Services	138,211	(8,625)	99	129,685
General Administrative Services	89,134	(4,539)	52	84,647
School Administrative Services	294,137	(17,472)	200	276,865
Business Services	161,538	(8,489)	97	153,146
Operations and Maintenance	660,274	(28,448)	326	632,152
Pupil Transportation Services	61,372	(3,830)	44	57,586
Co-Curricular	223,363	(7,432)	85	216,016
School Food Services	287,301	(10,806)	124	276,619
Community Services	7,416	(463)	5	6,958
Total Depreciation / Amortization	\$4,985,827	\$(273,779)	\$3,139	\$4,715,187

NOTE 22: DEFERRED INFLOWS / OUTFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent uncollected taxes receivable and uncollected contracts receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes receivable and uncollected contracts receivable are measurable but not available. Deferred inflows of resources in the Statement of Net Position represent the changes of assumptions, net difference between projected and actual investment earnings on pension plan investments and changes in proportion and differences between District contributions and the proportionate share of contributions. The deferred outflows of resources in the Statement of Net Position represent the differences between expected and actual experience, changes of assumptions, changes in proportion and differences between District contributions and proportionate share of contributions and the District contributions subsequent to the measurement date.

NOTE 23: PENSION PLANS

Summary of Significant Accounting Policies

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to 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.

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement TFFR

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches a 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Inflows of Resources Related to Pensions

At June 30, 2016, the Fargo Public Schools reported a liability of \$139,142,582 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2015, the district's proportion was 10.638990 percent, which was a decrease of (.255316%) from its proportion measured as of July 1, 2014.

Fargo Public Schools Proportionate share of the Net Pension Liability		
2015	2014	Increase / Decrease
10.638990%	10.894306%	(.255316%)

For the year ended June 30, 2016, the district recognized net pension expense of \$8,807,653. At June 30, 2016, 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	\$ 911,796	\$ -
Changes of Assumptions	15,623,325	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,569,035
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	2,536,045
District Contributions Subsequent to the Measurement Date	8,795,615	-
TOTAL	\$25,330,736	\$4,105,080

\$8,795,615, 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, 2017.

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

2017	\$1,173,090
2018	1,173,090
2019	1,173,090
2020	4,339,123
2021	2,356,857
Thereafter	2,214,790

Actuarial Assumptions

The total pension liability in the July 1, 2015 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.

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, 2015 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	57%	7.53%
Global Fixed Income	22%	1.28%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

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, 2014 and June 30, 2015, calculated using the discount rate of 7.75% percent for 2015 (8.00 for 2014), 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% / 7%) or 1-percentage-point higher (8.75% / 9%) than the current rate:

	1% Decrease (6.75%) / (7.00%)	Current Discount Rate (7.75%) / (8.00%)	1% Increase (8.75%) / (9.00%)
District's Proportionate Share of the Net Pension Liability -6-30-15	\$183,883,502	\$139,142,582	\$101,829,600
District's Proportionate Share of the Net Pension Liability -6-30-14	154,127,748	114,153,013	80,533,097

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, 2015. Additional financial and actuarial information is available on their website, www.nd.gov/rio, or may be obtained by writing to RIO at ND Retirement and Investment Office, 1930 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (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 seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include 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 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 Contributions

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 7.12% 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, 2016, the Board of Education of the City of Fargo reported a liability of \$14,608,311 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2015, the district's proportion was 2.148335 percent, which is a decrease of .163576 percent from its proportion measured as of July 1, 2014.

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

Fargo Public Schools Proportionate share of the Net Pension Liability		
2015	2014	Increase / Decrease
2.148335%	2.311911%	(.163576%)

For the year ended June 30, 2016, the District recognized net pension expense of \$1,211,409. At June 30, 2016, 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	\$ 423,806	\$ -
Changes of Assumptions	-	1,301,532
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	308,379
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	103,313	1,005,378
District Contributions Subsequent to the Measurement Date	1,837,671	-
TOTAL	\$2,364,790	\$2,615,289

\$1,837,671, 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, 2017.

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

2017	\$(576,667)
2018	(576,667)
2019	(576,667)
2020	60,562
2021	(418,314)
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses, including inflation
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 actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Investment Rate of Return

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 asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. 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, 2015, 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, 2015. 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, 2015.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District’s Proportionate Share of the Net Pension Liability	\$22,401,114	\$14,608,311	\$8,232,390

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, 2015. The supporting actuarial information is included in the June 30, 2015, 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 24: 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The school district pays an annual premium to NDRIF for its general liability, automobile insurance coverage and inland marine. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and two million dollars per occurrence for automobile coverage. Mobile contractor's equipment is limited to losses of \$1,128,121. Computerized business equipment \$12,808,716. Buildings are limited at \$379,671,044, personal property at \$26,259,279 and band equipment at \$ 3,086,850.

The State Bonding Fund currently provides the school district with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The school district has 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 \$1,925,012. 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 6/30/16	Year Ended 6/30/15
Unpaid Claims July 1	\$ 1,393,126	\$ 1,465,670
Incurred Claims Including IBNR's	14,240,593	13,501,305
Less: Claims Paid	13,708,707	13,573,849
Unpaid Claims June 30	\$ 1,925,012	\$ 1,393,126

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

NOTE 25: CONSTRUCTION COMMITMENTS

The school district had six construction projects remaining as of June 30, 2016. In the spring of 2014, the City of Fargo was notified by the Flood Diversion Authority that the Fargo Public schools warehouse and central kitchen would need to be demolished for the construction of a floodwall. \$8,973,450 is the contracted cost to build a new operations center that will replace the warehouse/central kitchen facility. \$8,089,922 was received by the Cass County Joint Water Resource District for this new construction. At the February 24, 2015 board meeting, the members unanimously approved the construction of a major addition and remodeling to the Eagles Center which will convert it to a three section, K-5 elementary school, to be named Eagles Elementary. The new school is scheduled to open in the fall of 2016. Three schools, Hawthorne, South and Madison, are getting new roofs and Ed Clapp elementary school is substantially complete with just a few contracts remaining to be finalized.

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

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

Project	Contract	Completed	Retainage	Commitment
Operations Center	\$ 8,973,450	\$ 3,082,504	\$237,507	\$6,128,453
Ed Clapp Elementary	15,618,470	15,405,705	39,890	252,655
Hawthorne Roofing	338,430	334,759	15,980	19,651
South High Roofing	155,424	97,847	-	57,577
Madison Roofing	157,133	59,704	-	97,429
Eagles Elementary	9,604,681	8,810,987	519,140	1,312,834
TOTALS	\$34,847,588	\$27,791,506	\$812,517	\$7,868,599

NOTE 26: 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, 2016 the school district had 31 employees who received this benefit at a cost to the school district of \$610,004.

NOTE 27: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2016:

Fund	Transfer In	Transfer Out	Explanation
General Fund	\$ 919,671	\$ 8,181,168	To finance programs in other funds
Student Activities	3,579,136	-	Eliminate deficits
Food Service	70,551	-	Reimburse expenses paid by district
Debt Service	37,265,270	-	Bond principal & interest transfers
Capital Projects Fund	10,949,406	44,602,866	Bond principal & Interest transfers
Total Transfers	\$52,784,034	\$52,784,034	

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

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 28: 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 29: PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 68 Pensions:

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

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

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

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

BUDGETARY COMPARISON SCHEDULE
General Fund

For the year ended June 30, 2016 (Summarized Comparative Totals 2015)

	Budgeted Amounts		2016 Actual Amounts	Variance With	2015
	Original	Final		Final Budget Positive (Negative)	
Revenues:					
Property Taxes	\$ 43,421,964	\$ 43,421,964	\$44,123,087	\$ 701,123	\$ 40,448,465
Other Local Sources	3,108,735	5,044,591	4,400,844	(643,747)	3,980,881
State Sources	99,609,962	98,686,897	99,398,412	711,515	94,885,888
Federal Sources	8,465,708	8,674,486	7,793,909	(880,577)	8,141,404
Other Sources	210,000	210,000	185,428	(24,572)	210,875
Total Revenues	\$ 154,816,369	\$ 156,037,938	\$ 155,901,680	\$ (136,258)	\$ 147,667,513
Expenditures:					
Instruction:					
Regular	\$ 70,127,570	\$ 72,500,119	\$ 70,810,878	\$ 1,689,241	\$ 68,965,147
Special Education	23,797,473	24,482,950	24,420,358	62,592	22,724,862
Vocational Education	5,537,501	5,462,825	5,426,695	36,130	5,219,095
Adult Education	915,305	967,463	886,606	80,857	757,214
Total Instruction	\$ 100,377,849	\$ 103,413,357	\$ 101,544,537	\$ 1,868,820	\$ 97,666,318
Support Services:					
Pupil Services	\$ 4,499,675	\$ 4,490,576	\$ 4,410,997	\$ 79,579	\$ 4,243,820
Instructional Staff Services	5,340,453	5,282,752	4,975,739	307,013	4,981,551
General Administration Services	2,600,075	2,724,220	2,618,431	105,789	2,461,995
School Administration Services	10,312,408	10,218,835	10,078,238	140,597	9,652,255
Business Services	4,944,611	4,906,263	4,897,258	9,005	3,169,752
Operations and Maintenance	16,386,848	15,909,277	16,226,326	(317,049)	15,819,734
Pupil Transportation Services	2,494,918	2,487,403	2,209,448	277,955	2,247,814
Co-curricular	226,937	231,057	230,387	670	217,573
Community Services	308,987	296,144	266,967	29,177	289,205
Total Support Services	\$ 47,114,912	\$ 46,546,527	\$ 45,913,791	\$ 632,736	\$ 43,083,699
Capital Outlay:	\$ -	\$ -	\$ -	\$ -	\$ 33,595
Total Expenditures	\$ 147,492,761	\$ 149,959,884	\$ 147,458,328	\$ 2,501,556	\$ 140,783,612
Excess of Revenues Over (Under) Expenditures	\$ 7,323,608	\$ 6,078,054	\$ 8,443,352	\$ 2,365,298	\$ 6,883,901
Other Financing Sources (Uses):					
Sale of Capital Assets	\$ 20,000	\$ 20,000	\$ 27,658	\$ 7,658	\$ 17,631
Transfers In	1,042,500	975,000	919,671	(55,329)	873,950
Transfers Out	(7,635,109)	(7,635,109)	(8,181,168)	(546,059)	(7,028,069)
Total Other Financing Sources (Uses)	\$ (6,572,609)	\$ (6,640,109)	\$ (7,233,839)	\$ (593,730)	\$ (6,136,488)
Net Change in Fund Balances	\$ 750,999	\$ (562,055)	\$ 1,209,513	\$ 1,771,568	\$ 747,413
Fund Balance - July 1	\$ 28,975,841	\$ 28,975,841	\$ 28,975,841	\$ -	\$ 28,228,428
Fund Balance - June 30	\$ 29,726,840	\$ 28,413,786	\$ 30,185,354	\$ 1,771,568	\$ 28,975,841

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

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

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

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

	2016	2015
1. District's proportion of the net pension liability (asset)	10.638990%	10.894306%
2. District's proportionate share of the net pension liability (asset)	\$139,142,582	\$114,153,013
3. District's covered-employee payroll	\$ 65,440,942	\$ 63,192,777
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.62%	180.64%
5. Plan fiduciary net position as a percentage of the total pension liability	62.1%	66.6%

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

** The measurement date of the net pension liability is June 30th of the prior year.

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Required Supplementary Information - Continued

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

	2016	2015
Statutorily required contribution	\$ 8,343,319	\$ 6,793,160
Contributions in relation to the statutorily required contribution	\$(8,343,319)	\$(6,793,160)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 68,985,199	\$65,440,942
Contributions as a percentage of covered-employee payroll	12.75%	10.75%

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

Changes of Assumptions

Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2015 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.

NOTE 4: SCHEDULE OF EMPLOYER CONTRIBUTIONS ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)Schedule of Employer Contributions
ND Public Employee's Retirement System
Last 10 Fiscal Years*

	2016	2015
1. District's proportion of the net pension liability (asset)	2.148335%	2.311911%
2. District's proportionate share of the net pension liability (asset)	\$14,608,311	\$14,674,193
3. District's covered-employee payroll	\$19,139,057	\$19,475,053
4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%

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

** The measurement date of the net pension liability is June 30th of the prior year.

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Required Supplementary Information - Continued

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

	2016	2015
Statutorily required contribution	\$ 1,453,765	\$ 1,386,624
Contributions in relation to the statutorily required contribution	\$(1,577,824)	\$(1,386,624)
Contribution deficiency (excess)	\$(124,059)	\$ -
District's covered-employee payroll	\$22,247,864	\$19,139,057
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

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

Changes of Assumptions

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 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
 Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY
 For the Year Ended June 30, 2016

	Balance 7-1-15	Revenue	Transfers In	Other Financing Sources/Uses	Transfers Out	Expenditures	Balance 6-30-16
(10) General Fund	\$ 28,975,841	\$ 155,901,680	\$ 919,671	\$ 27,658	\$ 8,181,168	\$ 147,458,328	\$ 30,185,354
Special Revenue Funds:							
(50) Food Service	\$ 2,415,417	\$ 6,108,742	\$ 70,551	\$ -	\$ -	\$ 6,233,833	\$ 2,360,877
(60) Student Activities	-	477,901	3,579,136	-	-	4,057,037	-
Total Special Revenue Fund	\$ 2,415,417	\$ 6,586,643	\$ 3,649,687	\$ -	\$ -	\$ 10,290,870	\$ 2,360,877
Debt Service Funds:							
(40) District	\$ -	\$ -	\$ 34,219,511	\$ (26,455,000)	\$ -	\$ 7,764,511	\$ -
Building Authority:							
Project 000	-	-	7,285	-	-	7,285	-
(F) (Project 004) 13 Lease Revenue Bonds	-	-	383,355	-	-	383,355	-
(G) (Project 007) 09 Lease Revenue Bonds	19	25	2,315,519	-	-	2,315,538	25
(K) (Project 016) 09 Lease Revenue Bonds	2	3	339,600	-	-	339,603	2
Total Building Authority Debt Service	\$ 21	\$ 28	\$ 3,045,759	\$ -	\$ -	\$ 3,045,781	\$ 27
Capital Projects Fund:							
(30-39) District	\$ 20,299,278	\$ 8,999,413	\$ 10,000,000	\$ 40,562,477	\$ 44,602,866	\$ 13,925,054	\$ 21,333,248
Building Authority:							
(J) (Project 008) 05 Rfdg (98 Const)	4	5	949,406	-	-	949,415	-
Total Capital Projects Funds	\$ 20,299,282	\$ 8,999,418	\$ 10,949,406	\$ 40,562,477	\$ 44,602,866	\$ 14,874,469	\$ 21,333,248
Total Governmental Funds	\$ 51,690,561	\$ 171,487,769	\$ 52,784,034	\$ 14,135,135	\$ 52,784,034	\$ 183,433,959	\$ 53,879,506
Internal Service Fund:							
(80) Health Insurance	\$ 6,753,640	\$ 17,305,276	\$ -	\$ -	\$ -	\$ 18,260,778	\$ 5,798,138
Agency Funds:							
(70) Agency Fund	\$ -	\$ 7,482,295	\$ -	\$ -	\$ -	\$ 7,482,295	\$ -
Total All Funds	\$ 58,444,201	\$ 196,275,340	\$ 52,784,034	\$ 14,135,135	\$ 52,784,034	\$ 209,177,032	\$ 59,677,644

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

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016 (Summarized Comparative Totals 2015)

	Food Service	Student Activities	TOTAL	
			2016	2015
<u>ASSETS</u>				
<u>Assets:</u>				
Cash and Investments	\$ 2,669,124	\$ 170,952	\$ 2,840,076	\$ 2,627,359
Accounts	1,244	170	1,414	1,256
Intergovernmental	4,865	-	4,865	7,307
Other Asset	-	-	-	13,296
Inventories	12,688	-	12,688	14,658
Total Assets	<u>\$ 2,687,921</u>	<u>\$ 171,122</u>	<u>\$ 2,859,043</u>	<u>\$ 2,663,876</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 86,373	\$ 171,122	\$ 257,495	\$ 3,270
Salaries and Benefits Payable	98,557	-	98,557	87,261
Unearned Revenue Food Service Commodity Inventory	2,664	-	2,664	4,245
Unearned Revenue Food Service Lunch Credits	139,450	-	139,450	153,683
Total Liabilities	<u>\$ 327,044</u>	<u>\$ 171,122</u>	<u>\$ 498,166</u>	<u>\$ 248,459</u>
<u>Fund Balances:</u>				
<u>Nonspendable:</u>				
Inventories	\$ 10,024	\$ -	\$ 10,024	\$ 10,413
<u>Assigned:</u>				
Food Service	2,350,853	-	2,350,853	2,405,004
Total Fund Balances	<u>\$ 2,360,877</u>	<u>\$ -</u>	<u>\$ 2,360,877</u>	<u>\$ 2,415,417</u>
Total Liabilities and Fund Balances	<u>\$ 2,687,921</u>	<u>\$ 171,122</u>	<u>\$ 2,859,043</u>	<u>\$ 2,663,876</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the years ended June 30, 2016 (Summarized Comparative Totals 2015)

	Food Service	Student Activities	Total	
			2016	2015
<u>Revenues:</u>				
Local Sources	\$ 3,274,024	\$ 477,901	\$ 3,751,925	\$ 3,867,272
State Sources	61,336	-	61,336	59,889
Federal Sources	2,773,382	-	2,773,382	2,568,803
Total Revenues	\$ 6,108,742	\$ 477,901	\$ 6,586,643	\$ 6,495,964
<u>Expenditures:</u>				
Current:				
Food Service Outlays	\$ 6,233,833	\$ -	\$ 6,233,833	\$ 6,111,901
Co-Curricular	-	4,057,037	4,057,037	3,795,353
Total Expenditures	\$ 6,233,833	\$ 4,057,037	\$ 10,290,870	\$ 9,907,254
Excess of Revenues Over (Under) Expenditures	\$ (125,091)	\$ (3,579,136)	\$ (3,704,227)	\$ (3,411,290)
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	\$ -	\$ -	\$ -	\$ 3,076
Transfers In	70,551	3,579,136	3,649,687	3,396,111
Transfers Out	-	-	-	(260,000)
Total Other Financing Sources (Uses)	\$ 70,551	\$ 3,579,136	\$ 3,649,687	\$ 3,139,187
Net Change in Fund Balances	\$ (54,540)	\$ -	\$ (54,540)	\$ (272,103)
Fund Balance - July 1	\$ 2,415,417	\$ -	\$ 2,415,417	\$ 2,687,520
Fund Balance - June 30	\$ 2,360,877	\$ -	\$ 2,360,877	\$ 2,415,417

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

BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)	2015
	Original	Final			
<u>Revenues:</u>					
Local Sources	\$ 3,651,200	\$ 3,691,200	\$ 3,274,024	\$ (417,176)	\$ 3,392,819
State Sources	60,000	60,000	61,336	1,336	59,889
Federal Sources	2,435,950	2,435,950	2,773,382	337,432	2,568,803
Total Revenues	\$ 6,147,150	\$ 6,187,150	\$ 6,108,742	\$ (78,408)	\$ 6,021,511
<u>Expenditures:</u>					
Current:					
School Food Services	\$ 6,439,446	\$ 6,439,446	\$ 6,233,833	\$ 205,613	\$ 6,111,901
Excess (Deficiency) of Revenues Over Expenditures	\$ (292,296)	\$ (252,296)	\$ (125,091)	\$ 127,205	\$ (90,390)
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 3,076
Transfers In	75,000	75,000	70,551	(4,449)	75,211
Transfers Out	(275,000)	(275,000)	-	275,000	(260,000)
Total Other Financing Sources (Uses)	\$ (200,000)	\$ (200,000)	\$ 70,551	\$ 270,551	\$ (181,713)
Net Change in Fund Balances	\$ (492,296)	\$ (452,296)	\$ (54,540)	\$ 397,756	\$ (272,103)
Fund Balance - July 1	\$ 2,415,417	\$ 2,415,417	\$ 2,415,417	\$ -	\$ 2,687,520
Fund Balance - June 30	\$ 1,923,121	\$ 1,963,121	\$ 2,360,877	\$ 397,756	\$ 2,415,417

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

BUDGETARY COMPARISON SCHEDULE
STUDENT ACTIVITIES FUND
For the Year Ended June 30, 2016

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)	2015
	Original	Final			
<u>Revenues:</u>					
Local Sources	\$ 474,375	\$ 474,375	\$ 477,901	\$ 3,526	\$ 474,453
<u>Expenditures:</u>					
Current:					
Co-Curricular	\$ 4,182,933	\$ 4,182,933	\$ 4,057,037	125,896	3,795,353
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,708,558)	\$ (3,708,558)	\$ (3,579,136)	\$ 129,422	\$ (3,320,900)
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 3,708,558	\$ 3,708,558	\$ 3,579,136	\$ (129,422)	\$ 3,320,900
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -	\$ -

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

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FUNDS 40 & PROJECTS 000-018
For the Year Ended June 30, 2016 (Summarized Comparative Totals 2015)

	Budgeted Amounts		2016 Actual	Variance With Final Budget Positive (Negative)	2015
	Original	Final			
<u>Revenues:</u>					
Local Sources	\$ -	\$ -	\$ 28	\$ 28	\$ 24
<u>Expenditures:</u>					
Debt Service:					
Principal	\$ 16,725,000	\$ 7,362,492	\$ 7,362,492	\$ -	\$ 6,775,000
Interest and Service Charges	3,564,067	3,450,525	3,447,800	2,725	3,591,491
Total Expenditures	\$ 20,289,067	\$ 10,813,017	\$ 10,810,292	\$ 2,725	\$ 10,366,491
Excess of Revenues Over (Under) Expenditures	\$ (20,289,067)	\$ (10,813,017)	\$ (10,810,264)	\$ 2,753	\$ (10,366,467)
<u>Other Financing Sources (Uses):</u>					
Payment to the Refunded Bond Escrow Agent Transfers In	\$ -	\$ (26,455,000)	\$ (26,455,000)	\$ -	\$ (10,000,000)
	20,289,067	20,591,559	37,265,270	16,673,711	20,366,475
Total Other Financing Sources (Uses)	\$ 20,289,067	\$ (5,863,441)	\$ 10,810,270	\$ 16,673,711	\$ 10,366,475
Net Change in Fund Balances	\$ -	\$ (16,676,458)	\$ 6	\$ 16,676,464	\$ 8
Fund Balance - July 1	\$ 21	\$ 21	\$ 21	\$ -	\$ 13
Fund Balance - June 30	\$ 21	\$ (16,676,437)	\$ 27	\$ 16,676,464	\$ 21

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

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FUNDS 30-39 & J (PROJECT 008)
For the Year Ended June 30, 2016 (Summarized Comparative Totals 2015)

	Budgeted Amounts		2016 Actual	Variance With	2015
	Original	Final		Final Budget Positive (Negative)	
<u>Revenues:</u>					
Local Sources	\$ 15,619,053	\$ 15,619,053	\$ 8,999,418	\$ (6,619,635)	\$ 7,747,088
<u>Expenditures:</u>					
Operations and Maintenance	\$ 8,602,675	\$ 702,675	\$ 184,294	\$ 518,381	\$ 2,150
Capital Outlay	10,777,546	18,817,546	12,825,437	5,992,109	17,748,966
<u>Debt Service:</u>					
Principal	1,457,143	1,457,143	1,133,184	323,959	611,450
Interest	56,400	199,942	213,321	(13,379)	87,452
Bond Costs	75,200	75,200	518,233	(443,033)	296,985
Total Expenditures	\$ 20,968,964	\$ 21,252,506	\$ 14,874,469	\$ 6,378,037	\$ 18,747,003
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,349,911)	\$ (5,633,453)	\$ (5,875,051)	\$ (241,598)	\$ (10,999,915)
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	\$ 215,000	\$ 215,000	\$ 8,089,922	\$ 7,874,922	\$ 215,000
Proceeds of Debt Issuance	9,400,000	9,400,000	29,470,000	20,070,000	19,585,000
Premium on the Sale of bonds	-	-	3,002,555	3,002,555	312,351
Transfers In	10,486,400	10,486,400	10,949,406	463,006	483,597
Transfers Out	(27,623,916)	(27,926,408)	(44,602,866)	(16,676,458)	(17,832,064)
Total Other Financing Sources (Uses)	\$ (7,522,516)	\$ (7,825,008)	\$ 6,909,017	\$ 14,734,025	\$ 2,763,884
Net Change in Fund Balances	\$ (12,872,427)	\$ (13,458,461)	\$ 1,033,966	\$ 14,492,427	\$ (8,236,031)
Fund Balance - July 1	\$ 20,299,282	\$ 20,299,282	\$ 20,299,282	\$ -	\$ 28,535,313
Fund Balance - June 30	\$ 7,426,855	\$ 6,840,821	\$ 21,333,248	\$ 14,492,427	\$ 20,299,282

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor / Pass-Through Grantor / Program Title or Cluster Title	Federal CFDA Number	Other Identification Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
<u>Passed through the State Department of Public Instruction:</u>			
National School Lunch Program	10.555	N/A	*** \$ 1,826,703
National School Lunch Program - Commodities	10.555	N/A	** 352,428
School Breakfast Program	10.553	N/A	427,838
Child Nutrition Cluster			*** \$ 2,606,969
Child and Adult Care Food Program	10.558	N/A	\$ 9,900
Summer School Food Program for Children	10.559	N/A	5,027
Fresh Fruit and Vegetable Program	10.582	N/A	169,835
Total U.S. Department of Agriculture			\$ 2,791,731
U.S. DEPARTMENT OF DEFENSE:			
<u>Passed through the National Security Agency:</u>			
Language Grant Program	12.900	N/A	\$ 111,730
U.S. DEPARTMENT OF LABOR:			
<u>Passed through the State Department of Public Instruction:</u>			
Incentive Grants - WIA Section 503	17.267	N/A	\$ 35,103
U.S. DEPARTMENT OF EDUCATION:			
<u>Passed through the State Department of Public Instruction:</u>			
Adult Education - Basic Grants to States	84.002	N/A	\$ 125,700
Title I Grants to Local Education Agencies	84.010	N/A	*** 3,273,751
Title I Cluster			\$ 3,399,451
Special Education-Grants to States	84.027	N/A	*** \$ 2,801,605
Special Education-Preschool Grants	84.173	N/A	51,472
Special Education Cluster			\$ 2,853,077
Twenty-First Century Community Learning Centers	84.287	N/A	*** \$ 1,179,088
Special Education - State Personnel Department	84.323	N/A	87,794
English Language Acquisition State Grants	84.365	N/A	123,220
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	N/A	*** 815,303
Grants for State Assessments and Related Activities	84.369	N/A	25,000
<u>Passed through the Department of Career & Technical Education:</u>			
Civil Rights Training and Advisory Services (also known as Equity Assistance Centers)	84.004	N/A	13,227
Career and Technical Education - Basic Grants to States	84.048	N/A	330
Total Department of Education			\$ 8,496,490
U.S. DEPARTMENT OF HUMAN SERVICES:			
<u>Passed through State Department of Public Instruction:</u>			
Refugee and Entrant Assistance-Discretionary Grants	93.576	N/A	\$ 52,103
Total Expenditures of Federal Awards			\$ 11,487,157

** - noncash assistance

*** - major program

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, 2016. 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. 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: NONCASH 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: NOT AVAILABLE (N/A)

The Board of Education of the City of Fargo was unable to obtain other identification 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Fargo, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board of Education of the City of Fargo's basic financial statements, and have issued our report thereon dated October 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Education of the City of Fargo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education of the City of Fargo's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the City of Fargo's internal control.

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

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

Compliance and Other Matters

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

BOARD OF EDUCATION OF THE CITY OF FARGO

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 18, 2016

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON 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, 2016. 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 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, 2016.

BOARD OF EDUCATION OF THE CITY OF FARGO

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by 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.

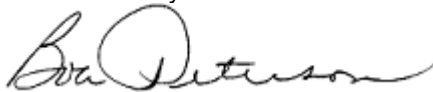
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, 2016, and have issued our report thereon dated October 18, 2016, 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 18, 2016

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Internal Control over financial reporting:

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

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> None reported
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
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) requirement?	_____ Yes	_____ <u>X</u> None reported

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555 & 10.553	National School Lunch Program/School Breakfast Program (Child Nutrition Cluster)
84.010	Title I Grants to Local Education Agencies
84.027 & 84.173	Special Education-Grants to State / Special Education-Preschool Grants (Special Education Cluster)
84.287	Twenty-First Century Community Learning Centers
84.367	Supporting Effective Instruction State Grant

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

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Board of Education of the City of Fargo, North Dakota, as of and for the year ended June 30, 2016, which collectively comprise the Board of Education of the City of Fargo’s basic financial statements and have issued our report thereon dated October 18, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND BY THE UNIFORM GUIDANCE

As stated in our engagement letter dated September 8, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the Board of Education of the City of Fargo, North Dakota’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Board of Education of the City of Fargo, North Dakota’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Board of Education of the City of Fargo, North Dakota’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on the Board of Education of the City of Fargo, North Dakota’s compliance with those requirements over the major federal program. While our audit provides a reasonable basis for our opinion over compliance for the major federal program, it does not provide a legal determination on the Board of Education of the City of Fargo, North Dakota’s compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Board of Education of the City of Fargo are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2016. 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 October 18, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

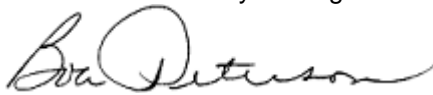
We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

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

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

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
October 18, 2016

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