

Board of Education of the City of Fargo

Fargo, North Dakota

Audit Report

For the Year Ended June 30, 2017

JOSHUA C. GALLION
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, 2017

SCHOOL BOARD

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

ADMINISTRATION

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



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, 2017, 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, 2017, 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.

BOARD OF EDUCATION OF THE CITY OF FARGO
Independent Auditor's Report - Continued

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 56-60 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 16, 2017 on our consideration of the Board of Education of the City of Fargo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Education of the City of Fargo's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 16, 2017

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017. 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 \$24,553,378 (Net Position). Of this amount, (\$98,526,840) (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 decreased by \$1,232,451 as a result of the current year's operation.
- The Fargo Public School District's total revenues from all sources were \$175,592,633. Total expenses were \$176,825,084.
- At the close of the current fiscal year, The Fargo Public School District's governmental funds reported combined ending fund balances of \$50,124,746, a decrease of \$3,754,760 in comparison with the prior year. Approximately 62.7% or \$31,432,447 is available for spending through an unassigned fund balance.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements.

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

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

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Management's Discussion and Analysis - Continued

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

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 \$24,553,378 is segregated into three categories: Net Investment in capital assets, Restricted and Unrestricted. Net Investment in capital assets represents 442.34% of the district's net position. These assets are not available for future spending. Although the 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 58.94% of the district's resources that are subject to external restrictions on how they may be used. Unrestricted net position represents the remaining (401.28%) of resources. The large negative unrestricted net position balance is 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 \$40,184,014. 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		
	2017	2016
ASSETS		
Current and Non-Current Assets	\$ 70,492,392	\$ 79,113,127
Capital Assets (net of depreciation)	209,644,394	206,998,596
Total Assets	\$280,136,786	\$286,111,723
DEFERRED OUTFLOWS OF RESOURCES		
Differences between Expected and Actual Experience	\$ 1,044,256	\$ 1,335,602
Changes of Assumptions	14,900,353	15,623,325
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	-	103,313
Net Difference between Projected and Actual Earnings on Pension Investments	15,811,160	-
District Contributions Subsequent to the Measurement Date	10,855,852	10,633,286
Total Deferred Outflows of Resources	\$ 42,611,621	\$ 27,695,526
Total Assets and Deferred Outflows of Resources	\$322,748,407	\$313,807,249
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities	\$ 11,422,513	\$ 16,206,829
Long Term Liabilities	281,703,740	265,094,222
Total Liabilities	\$293,126,253	\$281,301,051
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual experience	\$ 927,570	\$ -
Changes of Assumptions	1,021,756	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	3,119,450	3,541,423
Total Deferred Inflows of Resources	\$ 5,068,776	\$ 6,720,369
Total Liabilities and Deferred Inflows of Resources	\$298,195,029	\$288,021,420
NET POSITION		
Net Investment in Capital Assets	\$108,609,580	\$ 99,532,931
Restricted	14,470,638	20,170,615
Unrestricted	(98,526,840)	(93,917,717)
Total Net Position	\$ 24,553,378	\$ 25,785,829

BOARD OF EDUCATION OF THE CITY OF FARGO

Management's Discussion and Analysis - Continued

Current assets decreased mainly from a decrease in cash used for construction costs. Capital assets increased because of the completion of Eagles elementary school. The deferred outflows of resources increased greatly from the difference between projected and actual earnings on pension investments. Current liabilities decreased as a result of lower contracts payable owed to construction contractors and less owing on salaries, benefits and accounts payable at year end. Long-term liabilities due within one year increased from higher amounts payable for bonds in the coming year. Long-term liabilities due outside one year increased greatly due to the requirements to report net pension liability under GASB 68. Deferred inflows of resources decreased as a result of the difference between projected and actual investment earnings on pension plans. Net investment in capital assets increased and restricted net position decreased as the result of the completion of Eagles elementary school.

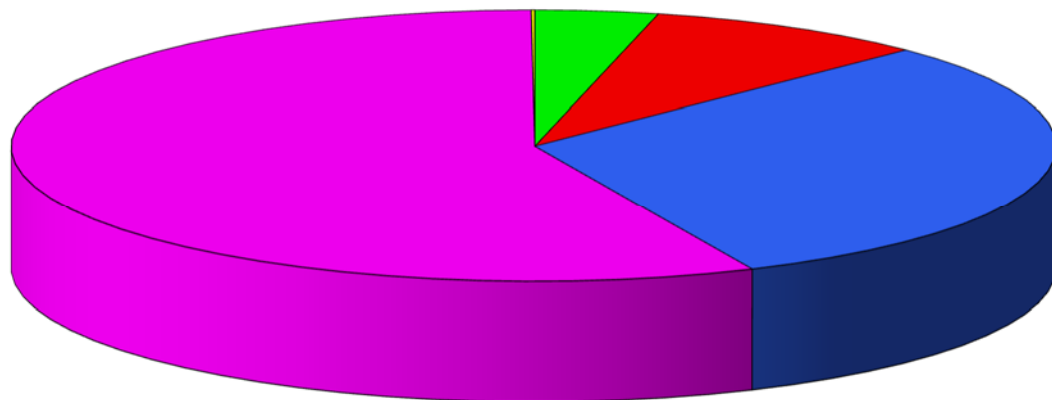
Governmental activities decreased the Fargo Public School District's net position by \$1,232,451. Key elements of this increase are as follows:

BOARD OF EDUCATION OF THE CITY OF FARGO CHANGES IN NET POSITION		
Revenues	2017	2016
Program Revenues:		
Charges for Services	\$ 6,668,803	\$ 7,594,071
Operating Grants and Contributions	15,376,555	14,992,443
General Revenues		
Taxes	53,817,389	52,723,582
State Aid	99,530,131	95,587,318
Interest and Other Revenue	199,755	398,845
Total Revenues	\$175,592,633	\$171,296,259
Expenses		
Instruction	\$113,335,377	\$ 99,745,931
Support Services:		
Pupil Services	4,631,619	4,463,743
Instructional Staff Services	5,265,195	4,808,464
General Administrative Services	3,641,029	3,253,138
School Administrative Services	11,009,330	9,917,016
Business Services	5,264,611	4,727,200
Operations and Maintenance	16,791,601	14,842,032
Pupil Transportation Services	2,515,821	2,160,375
Co-Curricular Services	4,378,169	4,185,324
Food Services	6,556,433	5,560,030
Community Services	94,552	262,213
Interest and Other Charges on Long-Term Debt	3,341,347	3,842,437
Total Expenses	\$176,825,084	\$157,767,903
Change in Net Position	\$ (1,232,451)	\$ 13,528,356
Net Position – July 1	\$ 25,785,829	\$ 12,257,473
Net Position – June 30	\$ 24,553,378	\$ 25,785,829

During the 2015 Legislative Session an increase in State Foundation Aid was approved. The Legislative Session increased the State Foundation aid to \$9,365 for the 2015-2016 fiscal year and the rate increased to \$9,646 per student for the 2016-2017 fiscal year. This resulted in the \$3,942,813 increase showing in State Aid. The large increase in instruction costs is the result of planned salary and benefit increases along with high allocations from Pensions and much lower allocations in comparison to the prior year's allocations relating to the sale of our previous warehouse and land.

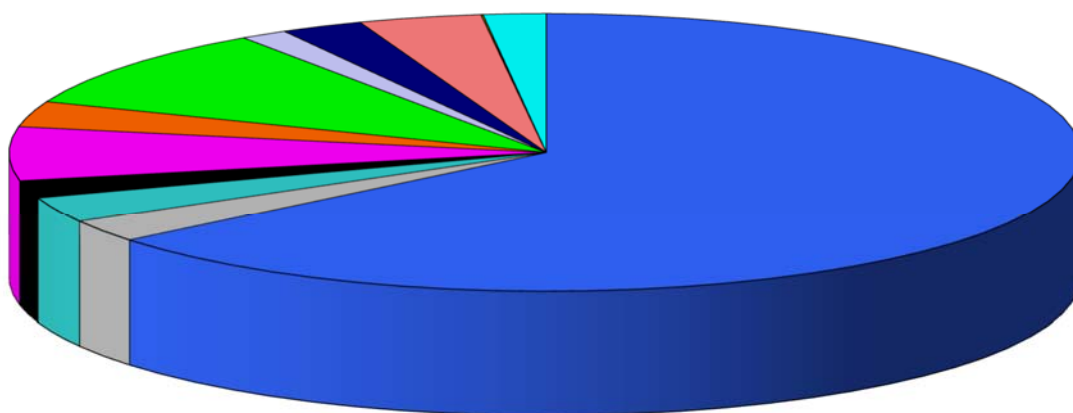
Property taxes constituted 30.65%, state aid 56.68%, operating grants/contributions 8.76%, and other revenues made up the remaining 3.91% of the total revenues of the governmental activities of the District for the 2017 fiscal year. Instruction comprises 64.09% of the district's governmental expenses, while support services account for 34.02% and interest and other charges on long-term debt 1.89%.

Revenues of the Board of Education of the City of Fargo for the Fiscal Year 2017



■ 3.80% Charges for Services	■ 8.76% Operating Grants and Contributions
■ 30.65% Taxes	■ 56.68% State Aid
■ .11% Interest and Other Revenue	

Expenses of the Board of Education of the City of Fargo for the Fiscal Year 2017



■ 64.09% Instruction	■ 2.62% Pupil Services
■ 2.98% Instructional Staff Services	■ 2.06% General Administrative Services
■ 6.23% School Administrative Services	■ 2.97% Business Services
■ 9.50% Operations and Maintenance	■ 1.42% Pupil Transportation Services
■ 2.48% Co-Curricular Services	■ 3.71% Food Services
■ .05% Community Services	■ 1.89% 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 \$176,825,084 compared to \$157,767,903 for the year ended June 30, 2016.

- Some of the cost was paid for by the users of the district's programs. (\$6,668,803).
- The Federal and State governments subsidized certain programs with grants and contributions (\$15,376,555 for operating purposes).
- Most of the district's revenues (\$153,547,275) were funded by district taxpayers and the taxpayers of the State of North Dakota
- This portion of governmental activities was paid for with \$53,817,389 in property taxes, \$99,530,131 in state aid based on the statewide education aid formula and \$199,755 with investment earnings and other general revenues.

BOARD OF EDUCATION OF THE CITY OF FARGO
NET COST OF GOVERNMENTAL ACTIVITIES

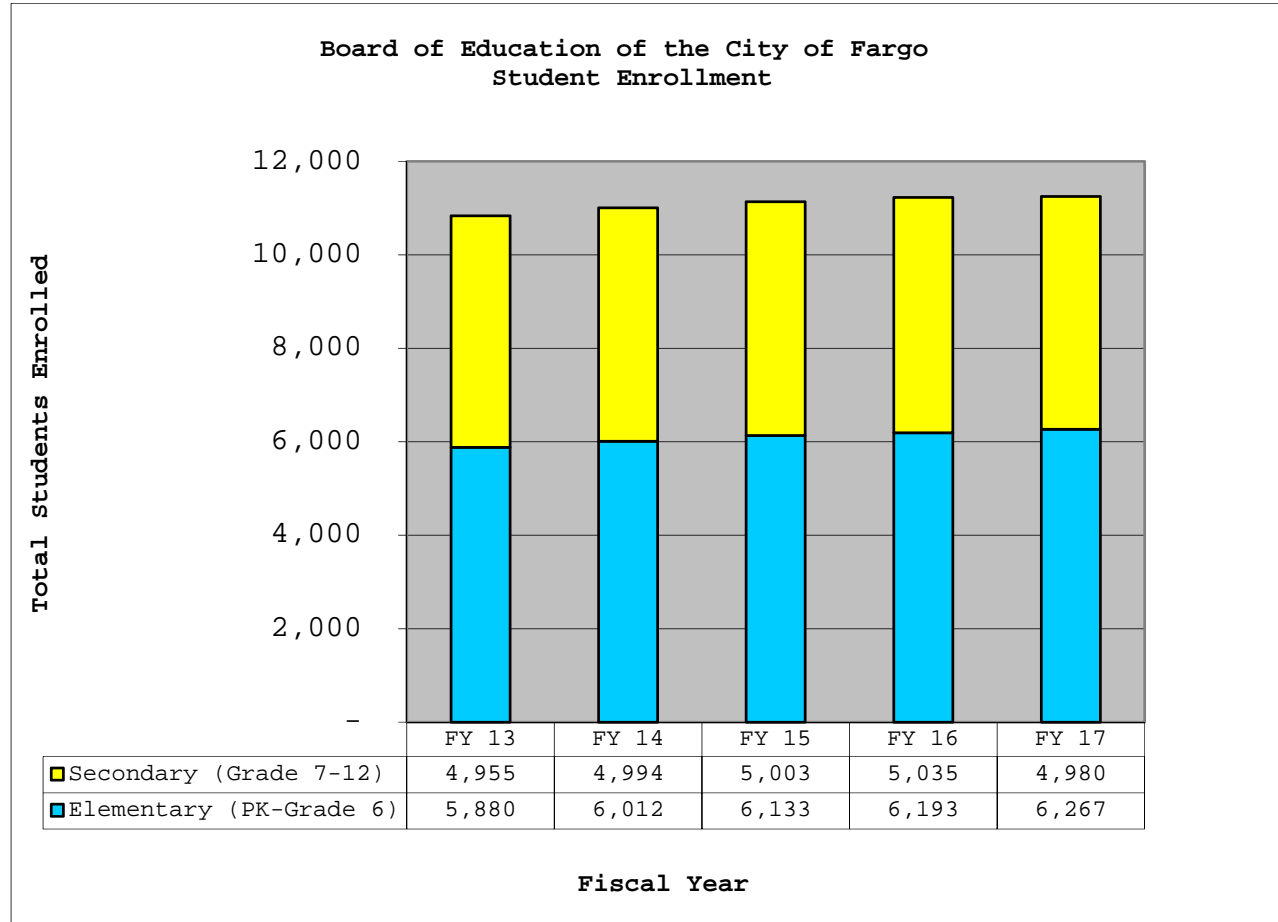
	2017		2016	
	Total Cost of Service	Net Cost of Services	Total Cost of Service	Net Cost of Services
Regular Instruction	\$ 78,831,323	\$ (71,303,191)	\$ 69,680,694	\$ (61,521,910)
Special Education	27,080,262	(22,606,642)	23,929,574	(19,387,132)
Vocational Education	6,488,074	(5,354,891)	5,266,246	(3,783,338)
Adult Education	935,718	(728,414)	869,417	(579,466)
Pupil Services	4,631,619	(4,528,527)	4,463,743	(4,392,387)
Instructional Staff Services	5,265,195	(5,265,195)	4,808,464	(4,808,464)
General Admin Services	3,641,029	(3,641,029)	3,253,138	(3,253,128)
School Admin Services	11,009,330	(11,009,330)	9,917,016	(9,917,016)
Business Services	5,264,611	(5,166,174)	4,727,200	(4,692,075)
Operations & Maintenance	16,791,601	(16,269,222)	14,842,032	(14,459,579)
Pupil Transportation Service	2,515,821	(1,444,175)	2,160,375	(1,116,221)
Co-Curricular	4,378,169	(3,899,387)	4,185,324	(3,707,423)
Food Service Outlays	6,556,433	(127,650)	5,560,030	541,400
Community Services	94,552	(94,552)	262,213	(262,213)
Interest / Other Expenses	3,341,347	(3,341,347)	3,842,437	(3,842,437)
TOTAL	\$176,825,084	\$(154,779,726)	\$157,767,903	\$(135,181,389)

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

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

GENERAL FUND

The General Fund includes the primary operations of the district in providing educational services to students from pre-school through grade 12. Over the last five years, the district's total student population has increased from 10,835 to 11,247. Fiscal year 2017 saw a modest 19 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, 2017	Year Ended June 30, 2016	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$ 47,575,470	\$ 48,523,931	\$ (948,461)	(1.95)%
State Sources	103,024,346	99,398,412	3,625,934	3.65%
Federal Sources	8,428,084	7,793,909	634,175	8.14%
Other Sources	26,470	185,428	(158,958)	(85.72)%
Total General Fund Revenue	\$159,054,370	\$155,901,680	\$3,152,690	2.02%

During fiscal year 2017 the total General Fund revenue increased by \$3,152,690, or 2.02% 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.

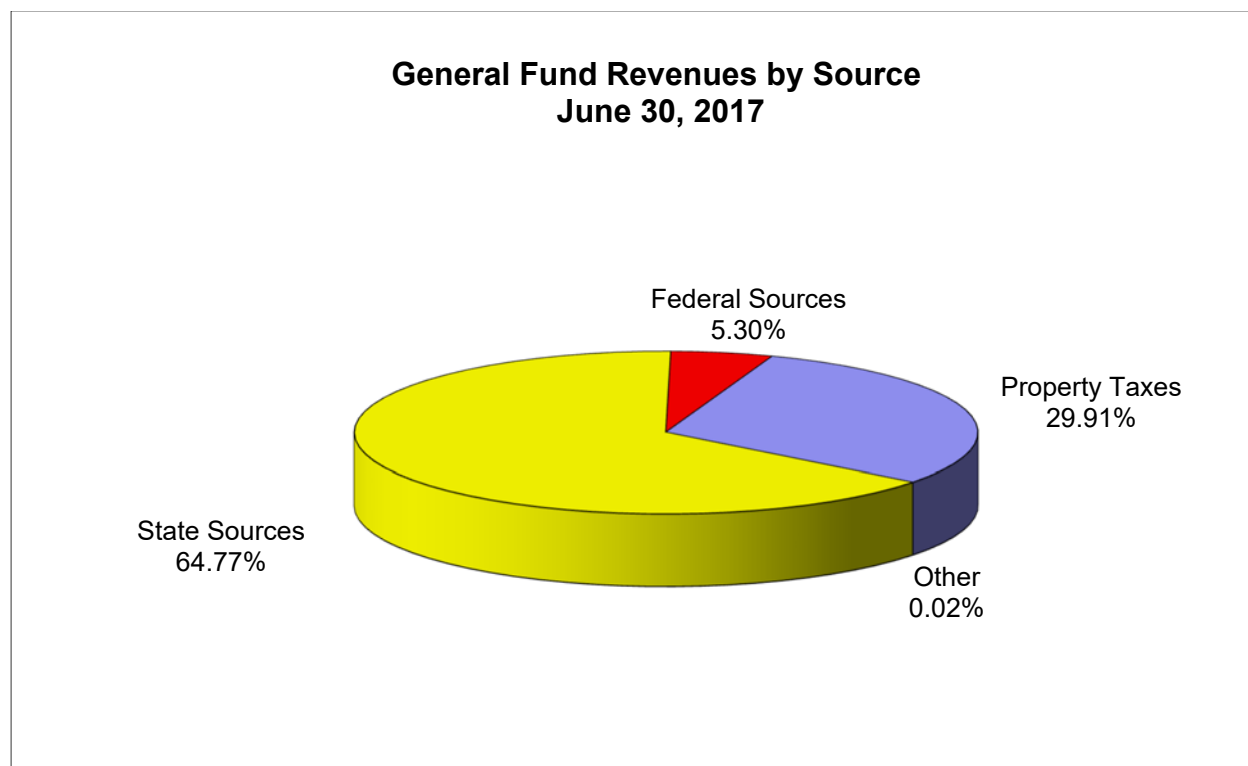
BOARD OF EDUCATION OF THE CITY OF FARGO
Management's Discussion and Analysis - Continued

The following schedule presents a summary of General Fund expenditures.

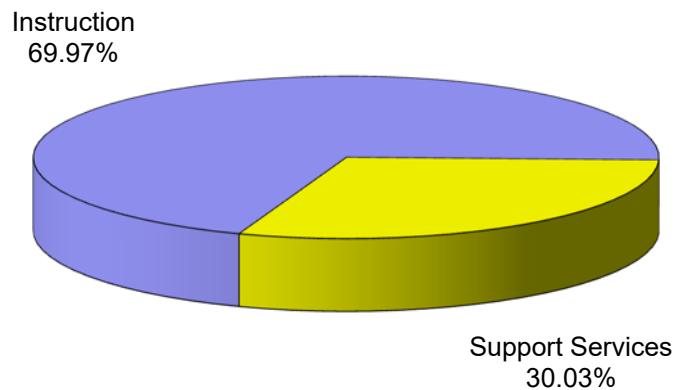
	Year Ended June 30, 2017	Year Ended June 30, 2016	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Instruction	\$105,127,213	\$101,544,537	\$3,582,676	3.53%
Support Services	45,123,877	45,913,791	(789,914)	(1.72)%
Total General Fund Expenditures	\$150,251,090	\$147,458,328	\$2,792,762	1.89%

Total General Fund expenditures increased \$2,792,762 or 1.89% from the previous year. In fiscal year 2017, 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 2017, General Fund revenues exceeded expenditures by \$1,462,923 (after other financing sources/uses), resulting in a total fund balance of \$31,648,277, compared to a fund balance in 2016 of \$30,185,354.



**General Fund Expenditures by Use
June 30, 2017**



General Fund Budgetary Highlights

During the year, there was a \$1,234,454 increase in appropriations between the original and final revenue (and Other Financing Sources/ Uses) budget and an increase of \$1,951,454 between the original and final expenditure budget. The actual revenue amount was less than the final budget by \$2,782,268. The majority of this difference resulted from lower than projected property tax collections and less in tuition receipts. The actual expenditure amount was less than the final budget by \$4,245,192. 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	\$161,229,028	\$162,463,482	\$159,681,214	\$(2,782,268)

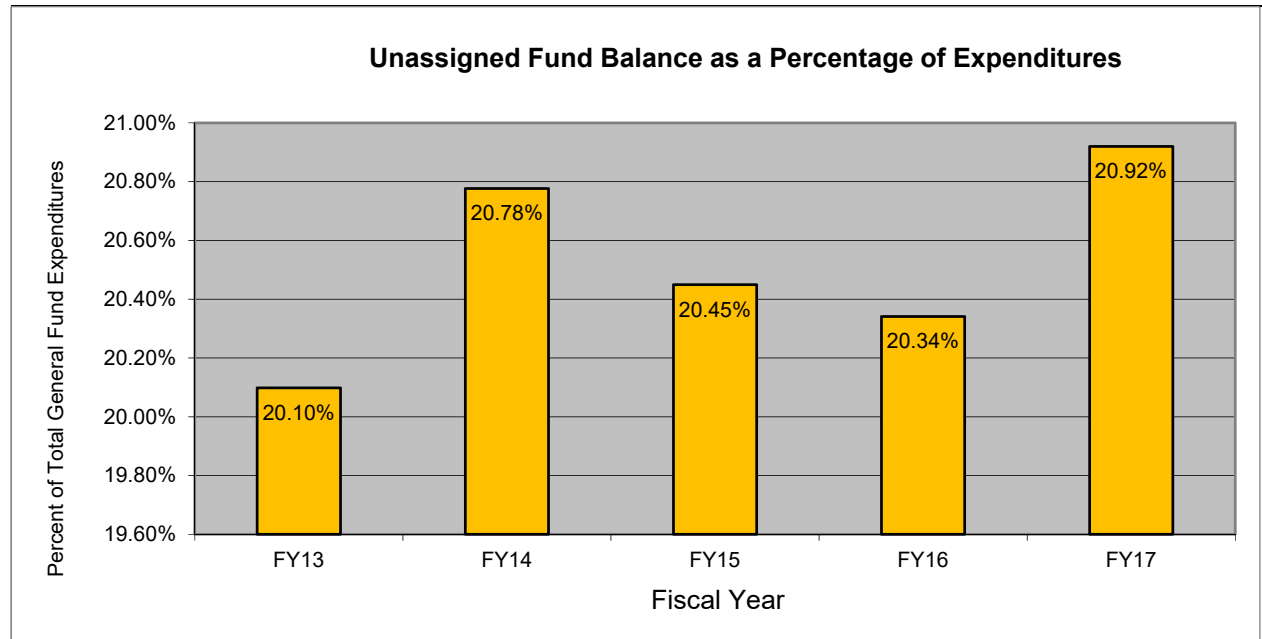
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures and Other Financing Uses	\$160,512,029	\$162,463,483	\$158,218,291	\$4,245,192

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

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

School Year	Beginning Balance July 1	Revenues	Expenditures	Other Financing Uses and Transfers In	Ending Balance June 30
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
2016-2017	30,185,354	159,054,370	150,251,090	(7,340,357)	31,648,277

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 \$31,432,447 at June 30, 2017 represents 20.92% 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, 2017	Year Ended June 30, 2016	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$3,437	\$28	\$3,409	12,175.00%

Total Debt Service Fund revenues increased \$ 3,409 or 12,175.00% from the previous year. The reason for the increase during fiscal year 2017 was interest earned on bond funds.

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

	Year Ended June 30, 2017	Year Ended June 30, 2016	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Principal	\$5,990,217	\$ 7,362,492	\$(1,372,275)	(18.64)%
Interest	3,152,751	3,447,800	(295,049)	(8.56)%
Bond Costs	109,704	-	109,704	100.00%
Total Debt Service Expenditures	\$9,252,672	\$10,810,292	\$(1,557,620)	(14.41)%

Total Debt Service Fund expenditures decreased \$(1,557,620) or (14.41%) from the previous year. In fiscal year 2017, debt service expenditures decreased due to normal debt retirement. Also, it should be noted that payments of \$7,425,000 and \$1,925,000 were made to the bond escrow agent for the current refunding of the \$19,650,000 Lease Revenue Refunding Bond, Series 2009B and the \$3,400,000 Lease Revenue Bond, Series 2009 on May 1, 2017.

CAPITAL PROJECTS FUND

The Capital Projects fund is also a major fund for the Board of Education of the City of Fargo. This fund is where 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, 2017	Year Ended June 30, 2016	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Local Sources	\$9,585,535	\$8,999,418	\$586,117	6.51%

Total Capital Projects Fund revenues increased \$586,117 or 6.51% from the previous year. The primary reasons for the increase during fiscal year 2017 was an increase in property tax collections.

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, 2017	Year Ended June 30, 2016	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operations & Maint.	\$ 360,172	\$ 184,294	\$ 175,878	95.43%
Capital Outlay	7,118,991	12,825,437	(5,706,446)	(44.49)%
Principal	1,103,231	1,133,184	(29,953)	(2.64)%
Interest	76,332	213,321	(136,989)	(64.22)%
Bond Costs	-	518,233	(518,233)	(100.00)%
Total Capital Projects Expenditures	\$8,658,726	\$14,874,469	\$(6,215,743)	(41.79)%

Total Capital Projects Fund expenditures decreased \$6,215,743 or (41.79%) from the previous year. In fiscal year 2017, capital outlay expenditures decreased because of the completion of construction on the Eagles elementary school.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the Fargo Public School District had \$209,644,394 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)

	2017	2016
Land and Land Improvements	\$ 13,418,098	\$ 13,418,098
Buildings and Improvements	183,094,388	178,251,151
Equipment and Vehicles	3,924,177	3,435,856
Construction in Progress	9,207,731	11,893,491
Total Capital Assets	\$209,644,394	\$206,998,596

Construction in Progress decreased and Buildings and Improvements increased due to the completion of Eagles elementary school which opened in the fall of 2016. More detailed information about capital assets can be found in Note 11 to the financial statements.

Long-Term Liabilities

At the end of the current fiscal year, the district had \$277,736,217 in long-term liabilities. Of this amount, \$97,762,521 is long-term debt and \$6,959,995 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 \$16,495,152. The key factor for this is the addition to Net Pension liability totaling \$22,502,806. More detailed information about the district's long-term liabilities is presented in Note 18 to the financial statements.

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

	2017	2016
General Obligation Bonds Payable	\$ 88,272,291	\$ 91,577,508
Paid Leave System Payable	2,695,598	2,288,554
Special Assessments Payable	695,230	447,412
Building Authority Revenue Bonds Payable	8,795,000	12,035,000
Compensated Absences Payable	458,194	423,655
Sick Leave Longevity Payable	131,866	292,809
PTO Payable	434,339	425,234
Net Pension Liability	176,253,699	153,750,893
Total	<u>\$277,736,217</u>	<u>\$261,241,065</u>

Economic Factors and Next Year's Budget

The 2017 Legislative session was a challenge for the State of North Dakota. With General fund revenues declining the state faced challenging funding decisions. Every attempt was made by state lawmakers to sustain the state's previous commitment to K-12 education. Funding in previous years for K-12 neared \$2 billion. Through a combination of the state general fund and the foundation aid stabilization fund, the state maintained per pupil aid funding at the current level of \$9646 per pupil for the next two years. Although this maintained state funding efforts, K-12 education, and Fargo Public Schools specifically, were not held harmless.

The state funding formula calls for contribution from local property tax, which in turn is a deduction from the state formula. This deduction is equal to the value of 60 mills. With Fargo Public Schools being in a growing market for property values, the overall increase in property tax collection was 6.4% or approximately \$2.7 million. However, with valuation increases, there is also an increase in the local effort deduction in the state formula, which means, Fargo Public Schools received approximately \$1.1 million less in state funding heading into the 2017-18 fiscal year. This is offset slightly by growing enrollments, however, just to remain flat with state funding, Fargo Public Schools would need enrollment increases of 200 students, actual growth for the 2017-18 payments was 120 students.

On March 7, 2017 the local taxpayers in Fargo approved a specified mill levy of 127 mills for Fargo Public Schools. This approval allows the district to collect property tax revenue on the growth in valuation and sustain local funding. This comes after a property tax freeze in fiscal year 2016-17. The specified mill levy approval will reduce the impact of the flat funding at the state level, however, given that local revenue pays just under 30% of the overall cost of education for Fargo Public Schools, this does not completely offset the loss in state revenue.

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. Currently, the district has a general fund balance of approximately 21%. 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.

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

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, 2017 (Summarized Comparative Totals 2016)

	Governmental Activities	
	2017	2016
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>		
Current Assets:		
Cash and Investments	\$ 52,520,426	\$ 63,900,492
Cash with Fiscal Agent	6,089,025	5,999,938
Accounts Receivable	44,372	124,427
Taxes Receivable	2,489,397	2,133,792
Intergovernmental Receivables	4,630,221	2,077,934
Due from County Treasurer	2,473,850	2,373,242
Inventories	227,591	203,641
Contracts Receivable	1,835,000	2,160,000
Interest Receivable	42,703	10,979
Prepaid Expenses	139,807	128,682
Non-Current Assets:		
Capital Assets (Not Being Depreciated)		
Land	13,418,098	13,418,098
Construction in Progress	9,207,731	11,893,491
Capital Assets (Net of Accumulated Depreciation)		
Buildings and Improvements	183,094,388	178,251,151
Equipment and Vehicles	3,924,177	3,435,856
Total Capital Assets	\$ 209,644,394	\$ 206,998,596
Total Assets	\$ 280,136,786	\$ 286,111,723
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>		
Pension Items	\$ 42,611,621	\$ 27,695,526
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 322,748,407	\$ 313,807,249
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</u>		
Current Liabilities:		
Accounts Payable	\$ 1,720,195	\$ 4,190,563
Salaries and Benefits Payable	6,905,050	7,957,145
Due to Other Agencies	95,559	114,340
Contracts Payable	160,839	812,517
IBNR Claims	1,204,000	1,925,012
Interest Payable	1,177,402	1,065,138
Unearned Revenue-(Food Service Commodities)	2,294	2,664
Unearned Revenue-(Food Service Lunch Credits)	157,174	139,450
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable (Net of Unamortized Premiums and Discounts)	7,459,669	6,441,923
Special Assessments Payable	17,026	34,970
Due After One Year:		
Bonds Payable (Net of Unamortized Premiums and Discounts)	93,575,145	101,023,742
Special Assessments Payable	678,204	412,442
Compensated Absences	458,194	423,655
Paid Leave System Payable	2,695,598	2,288,554
Sick Leave Longevity Payable	131,866	292,809
PTO Payable	434,339	425,234
Net Pension Liability	176,253,699	153,750,893
Total Liabilities	\$ 293,126,253	\$ 281,301,051
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Pension Items	\$ 5,068,776	\$ 6,720,369
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 298,195,029	\$ 288,021,420
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$ 108,609,580	\$ 99,532,931
Restricted For:		
Capital Projects	8,381,613	14,170,677
Debt Service	6,089,025	5,999,938
Unrestricted	(98,526,840)	(93,917,717)
Total Net Position	\$ 24,553,378	\$ 25,785,829

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, 2017 (Summarized Comparative Totals 2016)

	2017				2016
	Program Revenues		Net (Expense)		Net (Expense)
	Charges	Operating	Revenue and	Revenue and	Revenue and
	Expenses	for Services	Grants and	Changes	Changes
			Contributions	In Net Position	In Net Position
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 78,831,323	\$ 1,675,749	\$ 5,852,383	\$ (71,303,191)	\$ (61,521,910)
Special Education	27,080,262	363,073	4,110,547	(22,606,642)	(19,387,132)
Vocational Education	6,488,074	65,140	1,068,043	(5,354,891)	(3,783,338)
Adult Education	935,718	-	207,304	(728,414)	(579,466)
Support Services:					
Pupil Services	4,631,619	103,092	-	(4,528,527)	(4,392,387)
Instructional Staff Services	5,265,195	-	-	(5,265,195)	(4,808,464)
General Administrative Services	3,641,029	-	-	(3,641,029)	(3,253,128)
School Administrative Services	11,009,330	-	-	(11,009,330)	(9,917,016)
Business Services	5,264,611	98,437	-	(5,166,174)	(4,692,075)
Operations and Maintenance	16,791,601	522,379	-	(16,269,222)	(14,459,579)
Pupil Transportation Services	2,515,821	3,353	1,068,293	(1,444,175)	(1,116,221)
Co-Curricular	4,378,169	478,782	-	(3,899,387)	(3,707,423)
Food Service	6,556,433	3,358,798	3,069,985	(127,650)	541,400
Community Services	94,552	-	-	(94,552)	(262,213)
Interest and Other Charges on Long-Term Debt	3,341,347	-	-	(3,341,347)	(3,842,437)
Total Governmental Activities	\$ 176,825,084	\$ 6,668,803	\$ 15,376,555	\$ (154,779,726)	\$ (135,181,389)
<u>General Revenues:</u>					
Taxes:					
Property Taxes; Levied for General Purposes			\$ 42,618,543	\$ 42,408,433	
Property Taxes; Levied for Debt Service			9,148,119	8,329,676	
Other Tax Revenue			2,050,727	1,985,473	
State Aid not Restricted to Specific Program:					
Per Pupil Aid			99,530,131	95,587,318	
Interest Income and Other Revenue			199,755	398,845	
Total General Revenues			\$ 153,547,275	\$ 148,709,745	
Change in Net Position			\$ (1,232,451)	\$ 13,528,356	
Net Position - July 1			\$ 25,785,829	\$ 12,257,473	
Net Position - June 30			\$ 24,553,378	\$ 25,785,829	

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, 2017 (Summarized Comparative Totals 2016)

	MAJOR FUNDS				Total Governmental Funds	
	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	2017	2016
<u>ASSETS</u>						
Cash and Investments	\$ 33,311,406	\$ -	\$ 9,504,964	\$ 2,823,079	\$ 45,639,449	\$ 56,280,142
Cash with Fiscal Agent	-	7,660	6,081,365	-	6,089,025	5,999,938
Interest Receivable	42,703	-	-	-	42,703	10,979
Accounts Receivable	43,972	-	-	400	44,372	124,427
Taxes Receivable	2,051,243	-	438,154	-	2,489,397	2,133,792
Intergovernmental Receivable	4,444,309	-	185,912	-	4,630,221	2,077,934
Due from County Treasurer	2,036,774	-	437,076	-	2,473,850	2,373,242
Contracts Receivable	1,835,000	-	-	-	1,835,000	2,160,000
Inventories	215,830	-	-	11,761	227,591	203,641
Total Assets	\$ 43,981,237	\$ 7,660	\$ 16,647,471	\$ 2,835,240	\$ 63,471,608	\$ 71,364,095
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 1,500,468	\$ -	\$ 164,373	\$ 43,747	\$ 1,708,588	\$ 4,172,225
Salaries and Benefits Payable	6,841,320	-	-	56,691	6,898,011	7,949,601
Due to Other Agencies	91,578	-	-	3,981	95,559	114,340
Contracts Payable	13,351	-	147,488	-	160,839	812,517
Unearned Revenue-Food Service Commodity Inventory	-	-	-	2,294	2,294	2,664
Unearned Revenue-Food Service Lunch Credits	-	-	-	157,174	157,174	139,450
Total Liabilities	\$ 8,446,717	\$ -	\$ 311,861	\$ 263,887	\$ 9,022,465	\$ 13,190,797
<u>Deferred Inflows of Resources:</u>						
Uncollected Taxes Receivable	\$ 2,051,243	\$ -	\$ 438,154	\$ -	\$ 2,489,397	\$ 2,133,792
Uncollected Contracts Receivable	1,835,000	-	-	-	1,835,000	2,160,000
Total Deferred Inflows of Resources	\$ 3,886,243	\$ -	\$ 438,154	\$ -	\$ 4,324,397	\$ 4,293,792
<u>Fund Balances:</u>						
Nonspendable:						
Inventories	\$ 215,830	\$ -	\$ -	\$ 9,467	\$ 225,297	\$ 200,977
Restricted:						
Debt Service	-	7,660	6,081,365	-	6,089,025	5,999,938
Capital Projects	-	-	9,816,091	-	9,816,091	15,333,337
Assigned:						
Special Revenue Fund	-	-	-	2,561,886	2,561,886	2,350,853
Unassigned:	31,432,447	-	-	-	31,432,447	29,994,401
Total Fund Balances	\$ 31,648,277	\$ 7,660	\$ 15,897,456	\$ 2,571,353	\$ 50,124,746	\$ 53,879,506
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 43,981,237	\$ 7,660	\$ 16,647,471	\$ 2,835,240	\$ 63,471,608	\$ 71,364,095

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, 2017

Total Fund balances for Governmental Funds	\$	50,124,746
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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	\$ 282,240,200	
Less: Accumulated Depreciation	<u>(72,595,806)</u>	209,644,394

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.

2,489,397

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

1,835,000

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.

(1,177,402)

Net Pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.

(176,253,699)

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	\$ 116,686	
Changes of Assumptions	13,878,597	
Net Difference Between Projected and Actual Earnings on Pension Investments	15,811,160	
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	(3,119,450)	
District Contributions Subsequent to the Measurement Date	<u>10,855,852</u>	37,542,845

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, 2017 are:

Bonds Payable	\$ (97,067,291)	
Sick Leave Longevity	(131,866)	
PTO Payable	(434,339)	
Unamortized Bond Discount	48,643	
Unamortized Bond Premium	(4,016,166)	
Paid Leave System Payable	(2,695,598)	
Special Assessments	(695,230)	
Compensated Absences	<u>(458,194)</u>	(105,450,041)

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

5,798,138

Total Net Position of Governmental Activities	\$	<u>24,553,378</u>
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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, 2017 (Summarized Comparative Totals 2016)

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds	
	General	Debt Service	Capital Projects		2017	2016
Revenues:						
Local Sources	\$ 47,575,470	\$ 3,437	\$ 9,585,535	\$ 3,849,521	\$ 61,013,963	\$ 61,275,302
State Sources	103,024,346	-	-	52,088	103,076,434	99,459,748
Federal Sources	8,428,084	-	-	3,017,077	11,445,161	10,567,291
Other Sources	26,470	-	-	-	26,470	185,428
Total Revenues	\$ 159,054,370	\$ 3,437	\$ 9,585,535	\$ 6,918,686	\$ 175,562,028	\$ 171,487,769
Expenditures:						
Current:						
Instruction:						
Regular	\$ 73,095,302	\$ -	\$ -	\$ -	\$ 73,095,302	\$ 70,810,878
Special Education	25,215,023	-	-	-	25,215,023	24,420,358
Vocational Education	5,966,993	-	-	-	5,966,993	5,426,695
Adult Education	849,895	-	-	-	849,895	886,606
Support Services:						
Pupil Services	4,377,276	-	-	-	4,377,276	4,410,997
Instructional Staff Services	4,895,252	-	-	-	4,895,252	4,975,739
General Administration Services	2,786,378	-	-	-	2,786,378	2,618,431
School Administration Services	10,214,991	-	-	-	10,214,991	10,078,238
Business Services	4,926,683	-	-	-	4,926,683	4,897,258
Operations and Maintenance	15,249,635	-	360,172	-	15,609,807	16,410,620
Pupil Transportation Services	2,344,675	-	-	-	2,344,675	2,209,448
Co-Curricular	240,863	-	-	4,008,970	4,249,833	4,287,424
Food Service Outlays	-	-	-	6,300,358	6,300,358	6,233,833
Community Services	88,124	-	-	-	88,124	266,967
Capital Outlays	-	-	7,118,991	-	7,118,991	12,825,437
Debt Service:						
Principal	-	5,990,217	1,103,231	-	7,093,448	8,495,676
Interest	-	3,152,751	76,332	-	3,229,083	3,661,121
Bond Costs	-	109,704	-	-	109,704	518,233
Total Expenditures	\$ 150,251,090	\$ 9,252,672	\$ 8,658,726	\$ 10,309,328	\$ 178,471,816	\$ 183,433,959
Excess of Revenues Over (Under) Expenditures	\$ 8,803,280	\$ (9,249,235)	\$ 926,809	\$ (3,390,642)	\$ (2,909,788)	\$ (11,946,190)
Other Financing Sources (Uses):						
Transfers In	\$ 615,946	\$ 18,491,205	\$ 3,000,000	\$ 3,601,118	\$ 25,708,269	\$ 52,784,034
Transfers Out	(7,967,201)	(9,351,679)	(9,362,601)	-	(26,681,481)	(52,784,034)
Debt Issuance	-	8,795,000	-	-	8,795,000	29,470,000
Payment to the Refunded Bond Escrow Agent	-	(9,350,000)	-	-	(9,350,000)	(26,455,000)
Premium on the Sale of Bonds	-	672,342	-	-	672,342	3,002,555
Sale of Capital Assets	10,898	-	-	-	10,898	8,117,580
Total Other Financing Sources (Uses)	\$ (7,340,357)	\$ 9,256,868	\$ (6,362,601)	\$ 3,601,118	\$ (844,972)	\$ 14,135,135
Net Change in Fund Balances	\$ 1,462,923	\$ 7,633	\$ (5,435,792)	\$ 210,476	\$ (3,754,760)	\$ 2,188,945
Fund Balance - July 1	\$ 30,185,354	\$ 27	\$ 21,333,248	\$ 2,360,877	\$ 53,879,506	\$ 51,690,561
Fund Balance - June 30	\$ 31,648,277	\$ 7,660	\$ 15,897,456	\$ 2,571,353	\$ 50,124,746	\$ 53,879,506

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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	(3,754,760)
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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	\$ 8,191,031	
Current Year Depreciation	<u>(5,519,248)</u>	2,671,783

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.

The net effect of a miscellaneous transaction involving capital assets is to decrease net capital assets.	(25,985)	
Net Gain on the Sale of Capital Assets	<u>10,898</u>	(15,087)

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 Increase in Compensated Absences	\$ (34,539)	
Net Decrease in Sick Leave Longevity Payable	160,943	
Net Increase in Paid Leave System Payable	(407,045)	
Net Increase in PTO Payable	(9,105)	
Net Increase in Interest Payable	(112,264)	
Net Increase in Special Assessments	<u>(247,818)</u>	(649,828)

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.

2017A Limited Tax Refunding Bond	\$ (8,795,000)	
Bond Premium	<u>(672,342)</u>	(9,467,342)

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.

109,704

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		(111,228)
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Governmental funds report bond discounts when they are first issued. In government-wide statements these amounts are deferred and amortized in the statement of activities.

Bond Discount Amortization		(3,138)
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position.

15,891,958

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	\$ (22,502,806)	
Increase in Deferred Outflows of Resources	14,916,095	
Decrease in Deferred Inflows of Resources	<u>1,651,593</u>	(5,935,118)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of uncollected taxes and uncollected contracts receivable.

Increase in Uncollected Taxes Receivable	\$ 355,605	
Decrease in Uncollected Contracts Receivable	<u>(325,000)</u>	30,605

Change in Net Position of Governmental Activities	\$	<u>(1,232,451)</u>
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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, 2017 (Summarized Comparative Totals 2016)

	Internal Service Fund	
	2017	2016
<u>ASSETS:</u>		
<u>Current Assets:</u>		
Cash and Investments	\$ 6,880,977	\$ 7,620,350
Prepaid Expenses	139,807	128,682
Total Current Assets	<u>\$ 7,020,784</u>	<u>\$ 7,749,032</u>
<u>LIABILITIES:</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 11,607	\$ 18,338
Salaries Payable	7,039	7,544
IBNR Claims	1,204,000	1,925,012
Total Current Liabilities	<u>\$ 1,222,646</u>	<u>\$ 1,950,894</u>
<u>NET POSITION:</u>		
Restricted For:		
Prepaid Expenses	\$ 139,807	\$ 128,682
Patient Centered Outcomes Research Inst. (PCORI)	6,022	2,733
Transitional Re-Insurance Program (TRP)	-	72,278
Unrestricted	5,652,309	5,594,445
Total Net Position	<u><u>\$ 5,798,138</u></u>	<u><u>\$ 5,798,138</u></u>

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

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

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

For the Year Ended June 30, 2017 (Summarized Comparative Totals 2016)

	Internal Service Fund	
	2017	2016
<u>Operating Revenues:</u>		
Contributions to Self-Insurance	<u>\$ 17,618,691</u>	<u>\$ 17,305,276</u>
<u>Operating Expenses:</u>		
Health Insurance Claims	<u>\$ 18,591,903</u>	<u>\$ 18,260,778</u>
Operating Income (Loss)	<u>\$ (973,212)</u>	<u>\$ (955,502)</u>
<u>Other Financing Sources (Uses):</u>		
Transfers In	<u>\$ 973,212</u>	<u>\$ -</u>
Change in Net Position	<u>\$ -</u>	<u>\$ (955,502)</u>
Total Net Position - July 1	<u>\$ 5,798,138</u>	<u>\$ 6,753,640</u>
Total Net Position - June 30	<u><u>\$ 5,798,138</u></u>	<u><u>\$ 5,798,138</u></u>

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2017 (Summarized Comparative Totals 2016)

	Internal Service Fund	
	2017	2016
<u>Cash Flows From Operating Activities:</u>		
Received from User Charges	\$ 17,607,566	\$ 17,324,814
Payments for Health Insurance Claims	(19,320,151)	(17,728,552)
Net Cash Used/Provided by Operating Activities	\$ (1,712,585)	\$ (403,738)
<u>Cash Flows From Noncapital Financing Activities:</u>		
Transfers In	\$ 973,212	\$ -
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (739,373)	\$ (403,738)
Cash and Cash Equivalents Beginning of Year	\$ 7,620,350	\$ 8,024,088
Cash and Cash Equivalents End of Year	<u>\$ 6,880,977</u>	<u>\$ 7,620,350</u>
<u>Reconciliation of Operating Income (Loss) to net Cash</u>		
<u>Provided By Operating Activities:</u>		
Operating Income (Loss)	\$ -	\$ (955,502)
Adjustments to reconcile operating income (loss) to net cash provided (Used) by operating activities:		
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	-	26,004
Increase in Prepaid Expenses	(11,125)	(6,466)
Decrease in Accounts Payable	(6,732)	(3,884)
Decrease in Salaries Payable	(504)	4,224
Decrease in IBNR Claims Payable	(721,012)	531,886
Net Cash Used/Provided by Operating Activities	<u>\$ (739,373)</u>	<u>\$ (403,738)</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 FIDUCIARY ASSETS AND LIABILITIES
June 30, 2017 (Summarized Comparative Totals 2016)

	<u>Agency Funds</u>	
	<u>Student Activity Fund</u>	
	<u>Total 2017</u>	<u>Total 2016</u>
<u>ASSETS:</u>		
Cash and Investments	\$ 1,465,969	\$ 2,164,152
Due from Other Governmental Units	59,555	416,654
Accounts Receivable	<u>1,211</u>	<u>48,105</u>
Total Assets	<u>\$ 1,526,735</u>	<u>\$ 2,628,911</u>
<u>LIABILITIES:</u>		
Accounts Payable	\$ 26,495	\$ 1,021,666
Due to Student Groups	1,498,886	1,607,245
Salaries and Benefits Payable	<u>1,354</u>	<u>-</u>
Total Liabilities	<u>\$ 1,526,735</u>	<u>\$ 2,628,911</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

BLENDED COMPONENT UNIT

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

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

B. Basis of Presentation, Basis of Accounting

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

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

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

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

The school district reports the following governmental funds:

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

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

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

Additionally, the school district reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The school district considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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, reported as unearned revenue, at June 30, 2017 was \$2,294.

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	10
Auto Scrubbers, Stage Tables	

* 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. 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.

K. 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 \$31,432,447 at June 30, 2017 represents 20.92% of annual general fund expenditures.

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

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, permanent principal endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose and revenues restricted by enabling legislation.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School District Board of Directors. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
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, 2017

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 \$215,830.

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 \$9,467.

Restricted Fund Balances – consist of the following items at June 30, 2017:

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 \$6,081,365. The remaining amount of \$9,816,091 is restricted for construction.

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

- (a) Debt Service fund balance. The legally restricted cash of \$7,660 is held by US Bank for the payment of Bond Principal, interest due, or for construction costs incurred.

Assigned Fund Balances – consist of the following items at June 30, 2017:

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 \$2,561,886. This is used only for Food Service purposes.

Unassigned Fund Balance – consists of the following item at June 30, 2017:

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

- (a) The unassigned fund balance amount of \$31,432,447 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.

L. Interfund Transactions

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits:

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

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

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

At the year ended June 30, 2017, the Fargo Public School District's carrying amount of all deposits, (less investments of \$11,000,000 and \$1,423 in petty cash held at the schools), was \$42,984,971 and the bank balances were \$44,208,083. Of the bank balances, \$29,267,376 was covered by Federal Depository Insurance. The remaining balances 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, 2017, the school district had the following investments and maturities:

Investment Type	Fair Value	Maturity
Repurchase Agreement-American Federal Bank	\$ 1,000,000	32 Days
Repurchase Agreement-Bremer Bank	5,000,000	372 Days
Repurchase Agreement-First International	5,000,000	248 Days
Total	\$11,000,000	

Cash with Fiscal Agent:

The amount of \$6,089,025 reported in the financial statements at June 30, 2017, 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, 2017, the school district had certificates of deposits totaling \$11,000,000.

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 3: 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 4: TAXES RECEIVABLE

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

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

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

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

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 6: DUE FROM COUNTY TREASURER

The amount due from 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 7: INVENTORIES

Inventories consist of supplies and materials of the general fund and food and supplies for the food service fund. Reported inventories are equally offset by a 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 8: 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:

\$1,835,000 Contract Receivable for 2017 Lease Revenue Refunding Bond, due in annual installments of \$220,000 to \$290,000 through May 2024, interest at 3.0%-5.0%.

\$ 1,835,000

NOTE 9: 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 Bremer Bank, American Federal and First International Bank and Trust.

NOTE 10: 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 11: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017.

Governmental Activities:	Balance July 1	Additions/ Transfers	Deletions/ Transfers	Balance June 30
<i>Capital assets not being depreciated:</i>				
Land	\$ 13,418,098	\$ -	\$ -	\$ 13,418,098
Construction in Progress	11,893,491	7,118,991	9,804,751	9,207,731
Total capital assets, not depreciated	\$ 25,311,589	\$ 7,118,991	\$9,804,751	\$ 22,625,829
<i>Capital assets, being depreciated:</i>				
Buildings and Improvements	\$238,795,692	\$ 9,804,750	\$ -	\$248,600,442
Vehicles and Equipment	10,051,464	1,072,040	109,575	11,013,929
Total capital assets, being depreciated	\$248,847,156	\$10,876,790	\$ 109,575	\$259,614,371
Less accumulated depreciation for:				
Buildings and Improvements	\$ 60,544,541	\$ 4,961,513	\$ -	\$ 65,506,054
Vehicles and Equipment	6,615,608	557,734	83,590	7,089,752
Total accumulated depreciation	\$ 67,160,149	\$ 5,519,247	\$ 83,590	\$ 72,595,806
Total capital assets being depreciated, net	\$181,687,007	\$ 5,357,543	\$ 25,985	\$187,018,565
Governmental activities capital assets, net	\$206,998,596	\$12,476,534	\$9,830,736	\$209,644,394

NOTE 12: 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 13: 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 14: DUE TO OTHER AGENCIES

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

GENERAL FUND 10					
Project Number	Grants – Carryover Funds	7-1-16	Additions	Deletions	6-30-17
223	Leadership and Learning Grant	\$ 4,500	\$ -	\$ 4,500	\$ -
57	North Dakota Arts Council	770	-	770	-
138	WSI Vocational Rehabilitation	2,589	-	2,589	-
205	ND Teacher Support System Mentors	48,826	-	48,826	-
218	PTLW	22,768	-	22,768	-
131	Gearing Up for Kindergarten	17,153	-	17,153	-
142	SPF SIG	17,734	-	17,734	-
57	North Dakota Arts Council	-	770	-	770
138	WSI Vocational Rehabilitation	-	4,386	-	4,386
156	CenturyLink Ipads Impacting Education	-	4,897	-	4,897
157	Midco Grant	-	4,500	-	4,500
218	PTLW	-	2,208	-	2,208
131	Gearing Up for Kindergarten	-	20,740	-	20,740
153	Fuel Up to Play	-	4,000	-	4,000
205	ND Teacher Support System Mentors	-	50,077	-	50,077
43	FOOD SERVICE FUND 50	-	-	-	-
	Fuel Up to Play	-	3,981	-	3,981
TOTALS		\$114,340	\$95,559	\$114,340	\$95,559

NOTE 15: CONTRACTS PAYABLE

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

NOTE 16: OPERATING LEASES RECEIVABLE

The school district, as lessor, has leased a gymnastics facility at South High School, to American Gold Gymnastics and pool usage to YMCA. The school district also leases office space in the District Administration Building to the Fargo Public Schools Federal Credit Union. SEEC (Southeast Education Cooperation) leases space in Agassiz School for use as training center for enhanced educational services for numerous schools in the southeastern North Dakota region and Head Start leases space at Madison Elementary for educational support for 3 and 4 year-olds who are Head Start eligible. The School District also leases property at 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					
	2018	2019	2020	2021	2022	TOTAL
American Gold Gymnastics	\$17,370	\$17,891	\$18,428	\$18,981	\$19,550	\$ 92,220
YMCA	5,424	5,587	1,407	-	-	12,418
Fargo Public Schools Credit Union	682	-	-	-	-	682
SEEC (Southeast Education Cooperation)	18,850	-	-	-	-	18,850
SENDCAA Head Start	2,837	-	-	-	-	2,837
City of Fargo Recycling	6,375	-	-	-	-	6,375
TOTAL	\$51,538	\$23,478	\$19,835	\$18,981	\$19,550	\$133,382

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

NOTE 17: LEASES PAYABLE

Operating Leases – To alleviate parking problems for our employees, the Fargo Public School leases from The Fargo Housing and Redevelopment Authority, twenty parking spaces next to our district office. Also, Riverwood Park is being leased from the Fargo Park District for playing fields for football practices and non-varsity football games. During the construction of our new warehouse-central kitchen facility, we were leasing temporary warehouse space from the Snyder Family Limited Partnership until the contract was completed on April 30, 2017. The Krider building was also temporarily leased from T.S. McLaughlin for vehicle storage and maintenance, and a portion of the building was used for our print shop. As of June 30, 2017 this lease contract was complete. Total costs for all leases were \$189,404 for the year ended June 30, 2017. The future minimum lease payments are as follows:

Year Ending June 30	Fargo Park District for Riverwood Park	Fargo Housing Authority For Parking	Total
2018	\$ 323	\$7,200	\$ 7,523
2019	323	-	323
2020	323	-	323
2021	324	-	324
2022	324	-	324
2023-2027	1,402	-	1,402
TOTAL	\$3,019	\$7,200	\$10,219

NOTE 18: LONG-TERM LIABILITIES

Defeasance of Debt:

In 2009, the Building Authority issued the \$3,400,000 Lease Revenue Bonds, Series 2009, dated April 1, 2009, for the purpose of constructing a swimming pool at the Davies High School. Also, in 2009, for the purpose of effecting a current refunding of the outstanding maturities of the Building Authority's Lease Revenue Bonds, Series 2000, dated May 1, 2000 and paying the issuance costs related to the issuance of the bonds, the Building Authority issued the \$19,650,000 Lease Revenue Refunding Bonds, Series 2009B. During the 2016-2017 school year, the board found it in the best interest of the Building Authority, for the purpose of reducing the rate of interest and interest costs, to effect a current refunding of both of these bonds. To provide funds to effect a current refunding of these bonds the Building Authority offered at public sale its \$8,795,000 Lease Revenue Refunding Bonds, Series 2017. On May 1, 2017, \$7,425,000 of the proceeds from the 2017 bond were used to redeem the remaining principal balance of the 2009B bond that was originally scheduled to mature on May 1, 2020. Also, on May 1, 2017, \$1,925,000 of the proceeds from the 2017 bond were used to redeem the remaining principal balance of the 2009 bond that was originally scheduled to mature on May 1, 2024. The effective true interest rate of 1.7446% resulted in a net present value savings (economic gain) of \$483,916 and a cash flow savings of \$508,429. The present value savings are 5.175% 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, 2017, \$6,089,025 remains in trusts at U.S. Bank to advance refund a portion of the August 1, 2032 principal and all of the August 1, 2033 principal due on the 2014 Limited Tax Bond. On August 1, 2019 the funds will be applied to the principal of the 2014 Limited Tax Bond. Any remaining funds will be applied to the 2017 Lease Revenue Refunding bond principal due.

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

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, 2017, 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	\$ 91,577,508	\$ -	\$ 3,305,217	\$ 88,272,291	\$4,697,969
Special Assessments	447,412	1,140,383	892,565	695,230	17,026
Building Authority Rev. Bonds	12,035,000	8,795,000	12,035,000	8,795,000	2,245,000
Compensated Absences	423,655	796,417	761,878	458,194	-
Sick Leave Longevity Payable	292,809	299,570	460,513	131,866	-
PTO Payable	425,234	124,972	115,867	434,339	-
Paid Leave System Payable	2,288,554	1,493,464	1,086,420	2,695,598	-
Net Pension Liability	153,750,893	22,502,806	-	176,253,699	-
TOTAL	\$261,241,065	\$35,152,612	\$18,657,460	\$277,736,217	\$6,959,995

Debt payable at June 30, 2017 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%.	\$ 14,895,000
\$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%.	25,870,000
\$9,835,000 Limited Tax Refunding Bond, Series 2015, Refunding Series 2007 Bonds, due in annual installments of \$3,990,000 to \$4,845,000 through August 2027; Interest at 2.5%.	8,835,000
\$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 \$277,967 to \$329,200 through June 2035; Interest at 1.0%.	5,452,291
\$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%.	14,310,000
Total Bonds Payable	\$ 88,272,291

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

Building Authority Revenue Bonds:

\$8,795,000 Lease Revenue Refunding Bonds, Series 2017, Refunding the remainder of the Series 2009 and 2009(B) Bonds, due in annual installments of \$270,000 to \$2,855,000 through May 2024; Interest at 3.0% to 5.0%.

\$ 8,795,000

Special Assessments:

Special Assessments Payable represents special assessments levied by the cities of Fargo, ND 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 \$17,026 to \$45,236 through 2041; with interest at 4.34%.

\$ 695,230

Total Long-Term Debt

\$ 97,762,521

The annual long-term debt service requirements at June 30, 2017, are as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending June 30	Limited Tax Bonds		Building Authority Bonds		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 4,697,969	\$ 2,630,354	\$2,245,000	\$ 505,578	\$ 17,026	\$ 30,173
2019	4,825,749	2,493,574	2,580,000	305,200	17,765	29,434
2020	11,238,556	2,236,148	2,855,000	176,200	18,536	28,663
2021	5,091,392	1,976,144	270,000	33,450	19,340	27,859
2022	5,214,256	1,831,905	275,000	25,350	20,180	27,019
2023 – 2027	26,380,249	6,724,704	570,000	25,800	114,821	121,174
2028 – 2032	24,566,267	2,913,624	-	-	141,996	93,999
2033 – 2037	6,257,853	281,513	-	-	175,602	60,393
2038 – 2041	-	-	-	-	169,964	18,832
TOTALS	\$88,272,291	\$21,087,966	\$8,795,000	\$1,071,578	\$695,230	\$437,546

Accrued interest payable on the long-term debt, as of June 30, 2017, is \$1,177,402.

NOTE 19: BOND PREMIUM

The following is a summary of changes in bond premiums for the year ended June 30, 2017.

	Balance July 1	Addition	Bond Premium Amortization	Balance June 30
2009 3.4M Lease Revenue Bond	\$ 26,206	\$ -	\$ 26,206	\$ -
2009B 19.650M Lease Rev Bond	111,118	-	111,118	-
2012 24.615M Limited Tax Bond	472,467	-	67,495	404,972
2015 9.835M Limited Tax Rfdg Bond	148,124	-	12,881	135,243
2015(B) 9.750M Limited Tax Rfdg Bond	144,468	-	13,759	130,709
2016(A) 9.160M Limited Tax Bond	342,498	-	16,707	325,791
2016(B) 14.310M Limited Tax Rfdg Bond	2,660,057	-	312,948	2,347,109
2017 8.795M Limited Tax Rfdg Bond	-	672,342	-	672,342
Net Premium Discount	\$3,904,938	\$672,342	\$561,114	\$4,016,166

NOTE 20: BOND DISCOUNT

The following is a summary of change in bond discount for the year ended June 30, 2017.

	Balance July 1	Addition	Bond Discount Amortization	Balance June 30
2014B (26.97M) Limited Tax Bond	\$51,781	\$ -	\$3,138	\$48,643

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Financial Statements - Continued

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	\$2,278,106	\$(254,876)	\$1,425	\$2,024,655
Special Education	769,112	(87,922)	492	681,682
Vocational Education	181,640	(20,807)	116	160,949
Adult Education	25,872	(2,964)	17	22,925
Pupil Services	133,248	(15,263)	85	118,070
Instructional Staff Services	149,016	(17,069)	96	132,043
General Administrative Services	132,798	(9,716)	54	123,136
School Administrative Services	325,618	(35,618)	199	290,199
Business Services	181,830	(17,179)	96	164,747
Operations and Maintenance	693,826	(54,430)	304	639,700
Pupil Transportation Services	71,374	(8,175)	46	63,245
Co-Curricular	264,098	(14,819)	83	249,362
Food Services	304,982	(21,696)	123	283,136
Community Services	2,683	(307)	2	2,378
Total Depreciation / Amortization	\$5,514,203	\$(561,114)	\$3,138	\$4,956,227

NOTE 21: 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 22: PENSION PLANS**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.

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

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

Member and Employer Contributions

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

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

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

At June 30, 2017, the Fargo Public Schools reported a liability of \$155,686,944 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2016, the district's proportion was 10.62667033%, which was a decrease of (.01231967%) from its proportion measured as of June 30, 2015.

Fargo Public Schools Proportionate Share of the Net Pension Liability		
YEAR	Proportionate Share of Net Pension Liability	Increase / Decrease from Prior Year Proportionate Share of Net Pension Liability
2016	10.62667033%	(.01231967%)
2015	10.63899000%	(.25531600%)
2014	10.89430600%	

For the year ended June 30, 2017, the district recognized net pension expense of \$14,069,827. At June 30, 2017, 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 in the Measurement of the Total Pension Liability	\$ 735,300	\$ 737,139
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	12,941,802	-
Changes of Assumptions or Other Inputs	13,004,361	-
Changes in the District's Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	2,236,622
District Contributions to the Pension Plan Subsequent to the Measurement Date of the Net Pension Liability	8,961,229	-
TOTAL	\$35,642,692	\$2,973,761

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Financial Statements - Continued

\$8,961,229, 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, 2018.

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

2018	\$4,359,500
2019	4,359,500
2020	7,521,867
2021	5,541,896
2022	2,068,337
Thereafter	(143,398)

Actuarial Assumptions

The total pension liability in the July 1, 2016 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, 2016 funding actuarial valuation for TFFR.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	7.30%
Global Fixed Income	23%	.88%
Global Real Assets	18%	5.32%
Cash Equivalents	1%	.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016, 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, 2016. 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, 2016.

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, 2016, June 30, 2015 and June 30, 2014, calculated using the discount rate of 7.75%, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability by Date	\$201,937,663	\$155,686,944	\$117,164,463

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, 2016. Additional financial and actuarial information is available on their website, www.nd.gov/rio/sib/publications/cafr/default.htm, or may be obtained by writing to ND Retirement and Investment Office, 3442 East Century Avenue, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

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 Account Balance

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

Member and Employer Contributions

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

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Financial Statements - Continued

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

At June 30, 2017, the Board of Education of the City of Fargo reported a liability of \$20,566,755 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the district's proportion was 2.110282 percent, which is a decrease of (.038053) percent from its proportion measured as of June 30, 2015.

Fargo Public Schools Proportionate Share of the Net Pension Liability		
YEAR	Proportionate Share of Net Pension Liability	Increase / Decrease from Prior Year Proportionate Share of Net Pension Liability
2016	2.110282%	(.038053%)
2015	2.148335%	(.163576%)
2014	2.311911%	

For the year ended June 30, 2017, the District recognized net pension expense of \$2,515,181. At June 30, 2017, 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 in the Measurement of the Total Pension Liability	\$ 308,956	\$ 190,431
Changes of Assumptions or Other Inputs	1,895,992	1,021,756
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,869,358	-
Changes in the District's Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	882,828
District Contributions to the Pension Plan Subsequent to the Measurement Date of the Net Pension Liability	1,894,623	-
TOTAL	\$6,968,929	\$2,095,015

\$1,894,623, 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, 2018.

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	\$ 481,455
2018	481,455
2019	1,107,397
2020	636,663
2021	272,321
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2016 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

BOARD OF EDUCATION OF THE CITY OF FARGONotes to the Financial Statements - Continued

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, 2016, 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
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, 2016. 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, 2016 PERS 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 sufficient to make all projected future benefit payments for current plan members as of June 30, 2016. 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, 2016.

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, 2016 and June 30, 2015 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.

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Financial Statements - Continued

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's Proportionate Share of the Net Pension Liability by Date	\$29,173,663	\$20,566,755	\$13,315,088

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

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, 2016. The supporting actuarial information is included in the June 30, 2016, 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 23: RISK MANAGEMENT

The Board of Education of the City of Fargo is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The school district pays an annual premium to NDIRF for its general liability, automobile insurance coverage and inland marine. The coverage by NDIRF is limited to losses of 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 \$1,144,517. Computerized business equipment \$12,808,716. Buildings are limited at \$395,792,648, personal property at \$36,204,563 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 \$1,204,000. Blue Cross Blue Shield, the plan administrator, has calculated this reserve requirement. Changes in the claim reserve payable during the past two years are as follows:

	Year Ended 6/30/17	Year Ended 6/30/16
Unpaid Claims July 1	\$ 1,925,012	\$ 1,393,126
Incurred Claims Including IBNR's	15,434,324	14,240,593
Less: Claims Paid	16,155,336	13,708,707
Unpaid Claims June 30	\$ 1,204,000	\$ 1,925,012

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

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

NOTE 24: CONSTRUCTION COMMITMENTS

The school district had three construction projects remaining as of June 30, 2017. 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. \$9,224,598 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 construction project in 2016. Horace Mann elementary school is remodeling their bathrooms and three schools, North, Ben Franklin and Madison are replacing their roofs.

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

Project	Contract	Completed	Retainage	Commitment
Operations Center	\$9,224,598	\$9,207,731	\$147,489	\$164,356
Horace Mann Bathrooms	139,505	73,995	7,241	72,751
Multi-School Roofing Project	207,480	183,504	6,110	30,086
TOTALS	\$9,571,583	\$9,465,230	\$160,840	\$267,193

NOTE 25: 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, 2017 the school district had 28 employees who received this benefit at a cost to the school district of \$460,513.

BOARD OF EDUCATION OF THE CITY OF FARGO

Notes to the Financial Statements - Continued

NOTE 26: TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the financial statements for the year ended June 30, 2017:

Fund	Transfer In	Transfer Out	Explanation
General Fund	\$ 615,946	\$ 7,967,201	To finance programs in other funds And eliminate deficits
Proprietary Fund	973,212	-	Eliminate deficits
Student Activities	3,530,188	-	Eliminate deficits
Food Service	70,930	-	Reimburse expenses paid by food service
Debt Service	18,491,205	9,351,679	Bond principal & interest transfers
Capital Projects Fund	3,000,000	9,362,601	Bond principal & Interest transfers
Total Transfers	\$26,681,481	\$26,681,481	

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.

It should be noted that a transfer of \$973,212 was made to eliminate a deficit in the Proprietary fund from the General fund. Since the Proprietary fund is not reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, the transfers in do not equal the transfers out.

NOTE 27: 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 28: TAX ABATEMENTS

Cass County and certain political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Cass County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

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

New and Expanding Business:

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

The following criteria are only guidelines.

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

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$165,440

Public Charity Exemption:

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

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

Exemption criteria:

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

As a result of agreements made by the County and City, the school district had a reduction in taxes as noted.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$2,042,794

Single Family Residence:

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

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

As a result of agreements made by the County and City, the school district had a reduction in taxes as noted.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$489,002

Childhood Service Exemption:

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

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

As a result of agreements made by the County and City, the school district had a reduction in taxes as noted.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$57,820

Commercial and Residential:

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

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

As a result of agreements made by the County and City, the school district had a reduction in taxes as noted.

2016 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$61,283

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2017 (Summarized Comparative Totals 2016)

	Budgeted Amounts		2017		Variance With Final Budget Positive (Negative)	2016
	Original	Final	Actual Amounts			
<u>Revenues:</u>						
Property Taxes	\$ 44,814,658	\$ 44,814,658	\$44,132,164	\$ (682,494)	\$ 44,123,087	
Other Local Sources	3,870,806	4,531,506	3,443,306	(1,088,200)	4,400,844	
State Sources	102,420,858	103,122,986	103,024,346	(98,640)	99,398,412	
Federal Sources	9,107,706	8,979,332	8,428,084	(551,248)	7,793,909	
Other Sources	-	-	26,470	26,470	185,428	
Total Revenues	\$ 160,214,028	\$ 161,448,482	\$ 159,054,370	\$ (2,394,112)	\$ 155,901,680	
<u>Expenditures:</u>						
Instruction:						
Regular	\$ 74,555,297	\$ 75,123,336	\$ 73,095,302	\$ 2,028,034	\$ 70,810,878	
Special Education	25,705,912	26,399,208	25,215,023	1,184,185	24,420,358	
Vocational Education	5,539,143	5,999,616	5,966,993	32,624	5,426,695	
Adult Education	947,585	926,703	849,895	76,808	886,606	
Total Instruction	\$ 106,747,937	\$ 108,448,863	\$ 105,127,213	\$ 3,321,650	\$ 101,544,537	
<u>Support Services:</u>						
Pupil Services	\$ 4,635,641	\$ 4,683,597	\$ 4,377,276	\$ 306,322	\$ 4,410,997	
Instructional Staff Services	4,966,241	5,127,193	4,895,252	231,941	4,975,739	
General Administraion Services	2,822,194	2,853,134	2,786,378	66,756	2,618,431	
School Administration Services	10,450,985	10,408,253	10,214,991	193,262	10,078,238	
Business Services	5,085,369	4,941,453	4,926,683	14,770	4,897,258	
Operations and Maintenance	15,417,303	15,745,887	15,249,635	496,252	16,226,326	
Pupil Transportations Services	2,637,421	2,520,214	2,344,675	175,539	2,209,448	
Co-curricular	233,019	240,253	240,863	(610)	230,387	
Community Services	137,931	116,648	88,124	28,524	266,967	
Total Support Services	\$ 46,386,104	\$ 46,636,632	\$ 45,123,877	\$ 1,512,755	\$ 45,913,791	
Total Expenditures	\$ 153,134,040	\$ 155,085,495	\$ 150,251,090	\$ 4,834,405	\$ 147,458,328	
Excess of Revenues Over (Under) Expenditures	\$ 7,079,987	\$ 6,362,987	\$ 8,803,280	\$ 2,440,293	\$ 8,443,352	
<u>Other Financing Sources (Uses):</u>						
Sale of Capital Assets	\$ 20,000	\$ 20,000	\$ 10,898	\$ (9,102)	\$ 27,658	
Transfers In	995,000	995,000	615,946	(379,054)	919,671	
Transfers Out	(7,377,988)	(7,377,988)	(7,967,201)	(589,213)	(8,181,168)	
Total Other Financing Sources (Uses)	\$ (6,362,988)	\$ (6,362,988)	\$ (7,340,357)	\$ (977,369)	\$ (7,233,839)	
Net Change in Fund Balances	\$ 716,999	\$ (1)	\$ 1,462,923	\$ 1,462,924	\$ 1,209,513	
Fund Balance - July 1	\$ 30,185,354	\$ 30,185,354	\$ 30,185,354	\$ -	\$ 28,975,841	
Fund Balance - June 30	\$ 30,902,353	\$ 30,185,353	\$ 31,648,277	\$ 1,462,924	\$ 30,185,354	

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

PENSION SCHEDULES
June 30, 2017

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

	2017	2016	2015
District's proportion of the net pension liability (asset)	10.62667033%	10.63899000%	10.89430600%
District's proportionate share of the net pension liability (asset)	\$ 155,686,944	\$ 139,142,582	\$ 114,153,013
District's covered-employee payroll	\$ 69,044,120	\$ 65,440,942	\$ 63,192,777
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	59.2%	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.

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

	2017	2016	2015
Statutorily required contribution	\$ 8,803,126	\$ 8,343,319	\$ 6,793,160
Contributions in relation to the statutorily required contribution	(\$ 8,803,126)	(\$ 8,343,319)	(\$ 6,793,160)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 70,284,067	\$ 69,044,120	\$ 65,440,942
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	10.75%

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

**Schedule of Employer Contributions
ND Public Employee's Retirement System
Last 10 Fiscal Years***

	2017	2016	2015
District's proportion of the net pension liability (asset)	2.110282%	2.148335%	2.311911%
District's proportionate share of the net pension liability (asset)	\$ 20,566,755	\$ 14,608,311	\$ 14,674,193
District's covered-employee payroll	\$ 21,266,660	\$ 19,139,057	\$ 19,475,053
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	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.

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

	2017	2016	2015
Statutorily required contribution	\$ 1,539,672	\$ 1,453,765	\$ 1,386,624
Contributions in relation to the statutorily required contribution	(\$ 1,624,198)	(\$ 1,577,824)	(\$ 1,386,624)
Contribution deficiency (excess)	(\$ 84,526)	(\$ 124,059)	\$ -
District's covered-employee payroll	\$ 22,937,317	\$ 21,266,660	\$ 19,139,057
Contributions as a percentage of covered-employee payroll	7.64%	7.60%	7.12%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

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: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school board amended the school district budget for 2017 as follows:

	REVENUES		
	Original Budget	Amendment	Amended Budget
General Fund	\$160,214,028	\$1,234,454	\$161,448,482

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
General Fund	\$153,134,041	\$1,951,454	\$155,085,495

NOTE 3: CHANGES OF ASSUMPTIONS

ND Teachers' Fund for Retirement

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

ND Public Employees Retirement System

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, 2017

	Balance 7-1-16	Revenue	Transfers In	Other Financing Sources/Uses	Transfers Out	Expenditures	Balance 6-30-17
(10) General Fund	\$ 30,185,354	\$ 159,054,370	\$ 615,946	\$ 10,898	\$ 7,967,201	\$ 150,251,090	\$ 31,648,277
Special Revenue Funds:							
(50) Food Service	\$ 2,360,877	\$ 6,439,904	\$ 70,930	\$ -	\$ -	\$ 6,300,358	\$ 2,571,353
(60) Student Activities	-	478,782	3,530,188	-	-	4,008,970	-
Total Special Revenue Fund	\$ 2,360,877	\$ 6,918,686	\$ 3,601,118	\$ -	\$ -	\$ 10,309,328	\$ 2,571,353
Debt Service Funds:							
(40) District	\$ -	\$ -	\$ 5,976,443	\$ -	\$ -	\$ 5,976,443	\$ -
Building Authority:							
Project 000	-	-	6,393	-	-	6,393	-
(F) (Project 004) 13 Lease Revenue Bonds	-	-	386,155	-	-	386,155	-
(G) (Project 007) 09 Lease Revenue Bonds	25	2,727	9,857,872	(7,425,000)	1,349	2,434,275	-
(H) (Project 019) 17 Lease Revenue Bonds	-	22	-	9,467,342	9,350,000	109,704	7,660
(K) (Project 016) 09 Lease Revenue Bonds	2	688	2,264,342	(1,925,000)	330	339,702	-
Total Building Authority Debt Service	\$ 27	\$ 3,437	\$ 12,514,762	\$ 117,342	\$ 9,351,679	\$ 3,276,229	\$ 7,660
Total Debt Service Funds	\$ 27	\$ 3,437	\$ 18,491,205	\$ 117,342	\$ 9,351,679	\$ 9,252,672	\$ 7,660
Capital Projects Fund:							
(30-39) District	\$ 21,333,248	\$ 9,585,532	\$ 3,000,000	\$ -	\$ 9,362,598	\$ 8,658,726	\$ 15,897,456
(J) (Project 008) 05 Rfdg (98 Const)	-	3	-	-	3	-	-
Total Capital Projects Funds	\$ 21,333,248	\$ 9,585,535	\$ 3,000,000	\$ -	\$ 9,362,601	\$ 8,658,726	\$ 15,897,456
Total Governmental Funds	\$ 53,879,506	\$ 175,562,028	\$ 25,708,269	\$ 128,240	\$ 26,681,481	\$ 178,471,816	\$ 50,124,746
Internal Service Fund:							
(80) Health Insurance	\$ 5,798,138	\$ 17,618,691	\$ 973,212	\$ -	\$ -	\$ 18,591,903	\$ 5,798,138
Agency Funds:							
(70) Agency Fund	\$ -	\$ 3,054,064	\$ -	\$ -	\$ -	\$ 3,054,064	\$ -
Total All Funds	\$ 59,677,644	\$ 196,234,783	\$ 26,681,481	\$ 128,240	\$ 26,681,481	\$ 200,117,783	\$ 55,922,884

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2017 (Summarized Comparative Totals 2016)

			Total	
	Food Service	Student Activities	2017	2016
<u>ASSETS</u>				
<u>Assets:</u>				
Cash and Investments	\$ 2,800,769	\$ 22,310	\$ 2,823,079	\$ 2,840,076
Receivables:				
Accounts	320	80	400	1,414
Intergovernmental	-	-	-	4,865
Inventories	11,761	-	11,761	12,688
Total Assets	<u>\$ 2,812,850</u>	<u>\$ 22,390</u>	<u>\$ 2,835,240</u>	<u>\$ 2,859,043</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 21,357	\$ 22,390	\$ 43,747	\$ 257,495
Salaries and Benefits Payable	56,691	-	56,691	98,557
Due to Other Agencies	3,981	-	3,981	-
Unearned Revenue Food Service Commodity Inventory	2,294	-	2,294	2,664
Unearned Revenue Food Service Lunch Credits	157,174	-	157,174	139,450
Total Liabilities	<u>241,497</u>	<u>22,390</u>	<u>263,887</u>	<u>498,166</u>
<u>Fund Balances:</u>				
<u>Nonspendable:</u>				
Inventories	\$ 9,467	\$ -	\$ 9,467	\$ 10,024
<u>Assigned:</u>				
Food Service	2,561,886	-	2,561,886	2,350,853
Total Fund Balances	<u>\$ 2,571,353</u>	<u>\$ -</u>	<u>\$ 2,571,353</u>	<u>\$ 2,360,877</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,812,850</u>	<u>\$ 22,390</u>	<u>\$ 2,835,240</u>	<u>\$ 2,859,043</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, 2017 (Summarized Comparative Totals 2016)

	Food Service	Student Activities	Total	
			2017	2016
<u>Revenues:</u>				
Local Sources	\$ 3,370,739	\$ 478,782	\$ 3,849,521	\$ 3,751,925
State Sources	52,088	-	52,088	61,336
Federal Sources	3,017,077	-	3,017,077	2,773,382
Total Revenues	\$ 6,439,904	\$ 478,782	\$ 6,918,686	\$ 6,586,643
<u>Expenditures:</u>				
Current:				
Food Service Outlays	\$ 6,300,358	\$ -	\$ 6,300,358	\$ 6,233,833
Co-Curricular	-	4,008,970	4,008,970	4,057,037
Total Expenditures	\$ 6,300,358	\$ 4,008,970	\$ 10,309,328	\$ 10,290,870
Excess of Revenues Over (Under) Expenditures	\$ 139,546	\$ (3,530,188)	\$ (3,390,642)	\$ (3,704,227)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 70,930	\$ 3,530,188	\$ 3,601,118	\$ 3,649,687
Net Change in Fund Balances	\$ 210,476	\$ -	\$ 210,476	\$ (54,540)
Fund Balance - July 1	\$ 2,360,877	\$ -	\$ 2,360,877	\$ 2,415,417
Fund Balance - June 30	\$ 2,571,353	\$ -	\$ 2,571,353	\$ 2,360,877

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

BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance With Final Budget Positive (Negative)	
	Original	Final	2017 Actual		2016
<u>Revenues:</u>					
Local Sources	\$ 3,416,075	\$ 3,357,485	\$ 3,370,739	\$ 13,254	\$ 3,274,024
State Sources	60,000	55,000	52,088	(2,912)	61,336
Federal Sources	2,738,400	2,808,400	3,017,077	208,677	2,773,382
Total Revenues	\$ 6,214,475	\$ 6,220,885	\$ 6,439,904	\$ 219,019	\$ 6,108,742
<u>Expenditures:</u>					
Current:					
School Food Services	\$ 6,387,679	\$ 6,393,539	\$ 6,300,358	\$ 93,181	\$ 6,233,833
Excess (Deficiency) of Revenues Over Expenditures	\$ (173,204)	\$ (172,654)	\$ 139,546	\$ 312,200	\$ (125,091)
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 75,000	\$ 75,000	\$ 70,930	\$ (4,070)	\$ 70,551
Transfers Out	(283,250)	(283,250)	-	283,250	-
Total Other Financing Sources (Uses)	\$ (208,250)	\$ (208,250)	\$ 70,930	\$ 279,180	\$ 70,551
Net Change in Fund Balances	\$ (381,454)	\$ (380,904)	\$ 210,476	\$ 591,380	\$ (54,540)
Fund Balance - July 1	\$ 2,360,877	\$ 2,360,877	\$ 2,360,877	\$ -	\$ 2,415,417
Fund Balance - June 30	\$ 1,979,423	\$ 1,979,973	\$ 2,571,353	\$ 591,380	\$ 2,360,877

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

BUDGETARY COMPARISON SCHEDULE
STUDENT ACTIVITIES FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)	
	Original	Final	2017 Actual		2016
<u>Revenues:</u>					
Local Sources	\$ 470,000	\$ 470,000	\$ 478,782	\$ 8,782	\$ 477,901
<u>Expenditures:</u>					
Current:					
Co-Curricular	\$ 4,270,000	\$ 4,270,000	\$ 4,008,970	\$ 261,030	\$ 4,057,037
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,800,000)	\$ (3,800,000)	\$ (3,530,188)	\$ 269,812	\$ (3,579,136)
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 3,800,000	\$ 3,800,000	\$ 3,530,188	\$ (269,812)	\$ 3,579,136
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
FUND 40 & PROJECTS 000-019
For the Year Ended June 30, 2017 (Summarized Comparative Totals 2016)

	Budgeted Amounts		2017 Actual	Variance With Final Budget Positive (Negative)	2016
	Original	Final			
<u>Revenues:</u>					
Local Sources	\$ -	\$ -	\$ 3,437	\$ 3,437	\$ 28
<u>Expenditures:</u>					
Debt Service:					
Principal	\$ 5,990,217	\$ 5,990,217	\$ 5,990,217	\$ -	\$ 7,362,492
Interest and Service Charges	3,155,369	3,155,369	3,152,751	2,618	
Bond Costs	-	-	109,704	(109,704)	3,447,800
Total Expenditures	\$ 9,145,586	\$ 9,145,586	\$ 9,252,672	\$ (107,086)	\$ 10,810,292
Excess of Revenues Over (Under) Expenditures	\$ (9,145,586)	\$ (9,145,586)	\$ (9,249,235)	\$ (103,649)	\$ (10,810,264)
<u>Other Financing Sources (Uses):</u>					
Transfers In	\$ 9,145,586	\$ 9,145,586	\$ 18,491,205	\$ 9,345,619	\$ 37,265,270
Transfers Out	-	-	(9,351,679)	(9,351,679)	
Debt Issuance	-	-	8,795,000	8,795,000	
Payment to Bond Escrow Agent	-	-	(9,350,000)	(9,350,000)	(26,455,000)
Premium on the Sale of Bonds	-	-	672,342	672,342	
Total Other Financing Sources (Uses)	\$ 9,145,586	\$ 9,145,586	\$ 9,256,868	\$ 111,282	\$ 10,810,270
Net Change in Fund Balances	\$ -	\$ -	\$ 7,633	\$ 7,633	\$ 6
Fund Balance - July 1	\$ 27	\$ 27	\$ 27	\$ -	\$ 21
Fund Balance - June 30	\$ 27	\$ 27	\$ 7,660	\$ 7,633	\$ 27

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, 2017 (Summarized Comparative Totals 2016)

	Budgeted Amounts			Variance With Final Budget Positive (Negative)	
	Original	Final	2017 Actual		2016
<u>Revenues:</u>					
Local Sources	\$ 9,270,129	\$ 9,395,856	\$ 9,585,535	\$ 189,679	\$ 8,999,418
<u>Expenditures:</u>					
Operations and Maintenance	\$ 885,000	\$ 467,287	\$ 360,172	\$ 107,115	\$ 184,294
Capital Outlay	6,842,875	7,381,315	7,118,991	262,324	12,825,437
Debt Service:					
Principal	1,034,970	1,034,970	1,103,231	(68,261)	1,133,184
Interest	26,809	26,809	76,332	(49,523)	213,321
Bond Costs	-	-	-	-	518,233
Total Expenditures	\$ 8,789,654	\$ 8,910,381	\$ 8,658,726	\$ 251,655	\$ 14,874,469
Excess (Deficiency) of Revenues Over Expenditures	\$ 480,475	\$ 485,475	\$ 926,809	\$ 441,334	\$ (5,875,051)
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 8,089,922
Proceeds of Debt Issuance	-	-	-	-	29,470,000
Premium on the Sale of bonds	-	-	-	-	3,002,555
Transfers In	3,000,000	3,000,000	3,000,000	-	10,949,406
Transfers Out	(9,362,598)	(9,362,598)	(9,362,601)	(3)	(44,602,866)
Total Other Financing Sources (Uses)	\$ (6,362,598)	\$ (6,362,598)	\$ (6,362,601)	\$ (3)	\$ 6,909,017
Net Change in Fund Balances	\$ (5,882,123)	\$ (5,877,123)	\$ (5,435,792)	\$ 441,331	\$ 1,033,966
Fund Balance - July 1	\$ 21,333,248	\$ 21,333,248	\$ 21,333,248	\$ -	\$ 20,299,282
Fund Balance - June 30	\$ 15,451,125	\$ 15,456,125	\$ 15,897,456	\$ 441,331	\$ 21,333,248

BOARD OF EDUCATION OF THE CITY OF FARGO
Fargo North Dakota
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program Title or Cluster Title	Federal CFDA Number	Other Identification Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
National School Lunch Program	10.555	N/A	*** \$ 1,959,406
National School Lunch Program - Commodities	10.555	N/A	** 365,706
School Breakfast Program	10.553	N/A	468,850
Child Nutrition Cluster			*** \$ 2,793,962
Child and Adult Care Food Program	10.558	N/A	\$ 6,890
Food Distribution Program on Indian Reservations	10.567	N/A	461
Fresh Fruit and Vegetable Program	10.582	N/A	207,664
Total U.S. Department of Agriculture			\$ 3,008,977
<u>Passed through the State Department of Public Instruction:</u>			
Incentive Grants - WIA Section 503	17.267	N/A	\$ 27,455
<u>U.S. DEPARTMENT OF DEFENSE:</u>			
<u>Passed through the National Security Agency:</u>			
Lanugage Grant Program	12.900	N/A	\$ 112,499
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Direct Assistance:</u>			
Indian Education Grants to Local Education Agencies	84.060	N/A	\$ 81,056
<u>Passed through the State Department of Public Instruction:</u>			
Adult Education - Basic Grants to States	84.002	N/A	\$ 164,286
Title I Grants to Local Education Agencies	84.010	N/A	*** 3,653,133
Title I Cluster			\$ 3,817,419
Special Education_ Grants to States	84.027	N/A	*** \$ 2,904,340
Special Education_Preschool Grants	84.173	N/A	56,087
Special Education Cluster			\$ 2,960,427
English Language Acquisition State Grants	84.365	N/A	\$ 121,656
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	N/A	*** 899,467
Grants for State Assessments and Related Activities	84.369	N/A	21,554
<u>Passed through the Department of Career & Technical Education:</u>			
Career and Technical Education - Basic Grants to States	84.048	N/A	244,952
Total Department of Education			\$ 8,146,531
<u>U.S. DEPARTMENT OF HUMAN SERVICES:</u>			
<u>Passed through State Department of Public Instruction:</u>			
Refugee and Entrant Assistance-Discretionary Grants	93.576	N/A	\$ 36,802
Refugee and Entrant Assistance_Targeted Assistance Grants	93.584	N/A	22,500
Refugee and Entrant Assistance_State Administered Programs	93.566	N/A	33,715
Total U.S. Department of Human Services			\$ 93,017
<u>U.S. DEPARTMENT OF TRANSPORTATION PASS-THRU PROGRAMS:</u>			
<u>Passed through the North Dakota Department of Transportation:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	20.205		\$ 2,406
Total Expenditures of Federal Awards			\$ 11,390,885

** - noncash assistance

*** - major program

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2017

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, 2017. 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

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the City of Fargo, as of and for the year ended June 30, 2017, 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 16, 2017.

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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 16, 2017

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
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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, 2017. 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, 2017.

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 16, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
October 16, 2017

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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 X None reported

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____ Yes X None reported

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X 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 X None reported

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
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)
84.367	Supporting Effective Instruction State Grants

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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