

OFFICE OF STATE AUDITOR

AUDIT REPORT

**WEST FARGO PUBLIC SCHOOL DISTRICT No. 6
WEST FARGO, NORTH DAKOTA**

FOR THE YEAR ENDED JUNE 30, 2012



WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

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WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

SCHOOL OFFICIALS

June 30, 2012

Ben Koppelman
Patti Stedman
Karen Nitzkowski
Kay Kiefer
Angela Korsmo
Dave Olson
July Kvaale

Board President
Board Vice-President
Board Member
Board Member
Board Member
Board Member
Board Member

David Flowers
Louise Dardis

Superintendent
Assistant Superintendent

Beth Slette

Director of Federal Programs and Assessments

Mark Lemer
Robin Hill
Sheri Buchholz

Business Manager
Human Resources Director
Accountant

Mari Bell
Pete Diemert
Rob Kaspari
Brad Redmond
Jan Sliper

Special Education Director
Buildings & Grounds Director
Technology Director
Transportation Director
Food Service Director

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

School Board
West Fargo Public School District No. 6
West Fargo, North Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Public School District No. 6, North Dakota, as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Fargo Public School District No. 6's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 West Fargo Public School District No. 6, North Dakota, as of June 30, 2012, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the West Fargo Public School District No. 6'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 38 through 39 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.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Independent Auditor's Report - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Fargo Public School District No. 6's financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Office of Management Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are 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 the 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 combining nonmajor fund financial statements, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.



Robert R. Peterson
State Auditor

December 12, 2012

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

The Management's Discussion and Analysis (MD&A) of West Fargo Public School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is an element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011-2012 are as follows:

- Net assets of West Fargo Public School District increased \$6,978,686 (12.43%) as a result of the current year's operations.
- The assets of West Fargo Public Schools District exceeded liabilities by \$63,128,868 (net assets). Of this amount, \$17,374,106 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- Current assets increased \$54,655,744 (159.30%) for the year ended June 30, 2012, while capital assets net of accumulated depreciation increased by \$21,453,769 (25.88%).
- West Fargo Public School District's current liabilities (those due within one year) increased \$5,996,482 (62.06%) for the year ended June 30, 2012. Long-Term Liabilities also increased \$64,189,406 (124.90%).
- Total revenues from all sources were \$89,083,165 on the government-wide statement of activities and \$89,343,088 on the modified accrual basis.
- Total expenses were \$82,104,478 on the government-wide statement of activities and total expenditures were \$109,417,916 on the modified accrual basis. The difference primarily represents the repayment of debt principal, which is a expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets and also the capital outlay of funds on current construction projects, which is also treated as an expenditure on the governmental statement.
- The District's general fund had \$71,984,997 in total revenues and \$70,744,872 in total expenditures. There was a total of \$48,500 transferred into the general fund and \$1,083,785 transferred out of the general fund. Overall, the general fund balance increased by \$384,016 going from \$12,328,601 to \$12,712,617 for the year ended June 30, 2012.
- At the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$78,380,829, an increase of \$53,198,416 (211.25%) from the year ended June 30, 2011. \$11,568,106 (14.76%) is available for spending at the District's discretion (unreserved fund balances).

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand West Fargo Public School District #6 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

REPORTING ON THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

These statements are summaries of all the funds used by the West Fargo School District to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended June 30, 2012?"

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

In the Statement of Net Assets and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, regular instruction, federal programs, special education, vocational education, administration, food services, operation and maintenance of buildings and grounds, student transportation, and co-curricular activities.

The government-wide financial statements can be found on pages 12-13 of this report.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

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

The District's other funds, which are used to account for a multitude of financial transactions including food services, debt service and other capital projects, are summarized under the heading "Other Governmental Funds".

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

In addition, the school district has the following fund types:

Internal Service fund. This fund accounts for medical insurance claims provided to other departments on a cost-reimbursement basis.

The internal service fund statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students and parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the school's own programs.

The basic fiduciary fund financial statement can be found on page 21 of this report.

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.

The notes to the financial statements can be found on pages 22-37 of the report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I provides a summary of the School District's net assets as of June 30, 2012 and June 30, 2011.

As indicated in the financial highlights, current assets increased \$54,655,744 (159.30%) for the year ended June 30, 2012, while capital assets net of accumulated depreciation increased by \$21,453,769 (25.88%).

Current assets increased \$54,655,744 (159.30%) mostly due to new bond proceeds, of which only a portion have been spent to date, and the excess of revenues over expenditures in the general fund.

The District's net assets of \$63,128,868 are segregated into three separate categories. The largest portion of the School's net assets totaling \$62,093,111 (98.36%) reflects its resources which are subject to external restrictions on how they must be spent in the debt service funds and for construction. The majority of the increase can be attributed to the bond indentures for the High School, Middle School and Elementary School building projects.

Assets Invested in Capital Assets reflect a negative balance of \$-16,338,349 (-25.88%). This balance is negative due to the fact that the investment in capital assets is reported net of related debt, and as of the fiscal year end, none of our building projects had been completed but we have already recognized the debt. West Fargo School uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining unrestricted net assets totaling \$17,374,106 (27.52%) are available to meet the District's ongoing obligations.

TABLE I
NET ASSETS
 June 30, 2012 and 2011

<u>Assets:</u>	2012	2011
Current Assets	\$ 88,966,074	\$ 34,310,330
Non-Current Assets (bond issuance costs)	1,055,061	-
Capital Assets (net of accumulated depreciation)	104,346,818	82,893,049
Total Assets	\$194,367,953	\$117,203,379
<u>Liabilities:</u>		
Current Liabilities	\$ 15,658,551	\$ 9,662,069
Long Term Liabilities	115,580,534	51,391,128
Total Liabilities	\$131,239,085	\$ 61,053,197
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	\$(16,338,349)	\$ 27,596,668
Restricted	62,093,111	11,923,725
Unrestricted	17,374,106	16,629,789
Total Net Assets	\$ 63,128,686	\$ 56,150,182

Table II shows the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

TABLE II
CHANGES IN NET ASSETS
 As of June 30, 2012 and 2011

Revenues	2012	2011
Program Revenues:		
Charges for Services	\$ 3,146,943	\$ 2,804,328
Operating Grants & Contributions	5,629,336	13,521,898
Capital Grants & Contributions		543,038
General Revenues:		
Property Taxes	33,718,270	28,189,261
State Aid - Unrestricted	30,974,361	28,950,850
Mill Levy Reduction	12,781,064	12,351,261
Other Unrestricted Aid	1,439,180	2,057,471
Interest Earnings	489,614	181,189
Miscellaneous & Other Revenue	904,397	972,483
Total Revenues	\$89,083,165	\$89,571,779
Expenses		
Regular Instruction	\$40,187,494	\$35,814,596
Federal Programs	1,980,386	2,806,704
Special Education	12,355,203	12,196,100
Vocational Education	1,654,260	1,651,132
School Administration	3,739,845	3,482,256
General Administration	1,185,051	2,007,133
Operations and Maintenance	11,645,185	6,322,382
School Food Services	3,159,839	3,343,695
Student Transportation	1,695,681	1,818,160
Co-Curricular Activities	268,247	1,634,002
Other Programs & Services	567,619	554,194
Facility acquisition and construction	-	2,194,933
Interest and Service Charges	3,665,668	2,807,259
Total Expenses	\$82,104,478	\$76,632,546
Net Change in Assets	\$ 6,978,687	\$12,939,233
Net Assets - July 1	\$56,150,182	\$44,624,092
Prior Period Adjustment	-	(1,413,143)
Net Assets - June 30	\$63,128,869	\$56,150,182

Property taxes constituted 37.86%, unrestricted state aid 34.77%, mill levy reduction 14.35%, operating grants and contributions 6.32%, charges for services 3.53%, other unrestricted aid 1.62%, interest earnings .55%, and miscellaneous revenues made up the remaining 1.00% of the total revenues of governmental activities of the District for fiscal year end June 2012. Operating grants and contributions decreased \$7,892,562 (-58.37%) due to the completion of the ARRA programs in 2011, and also the JOBS Ed grant. Property taxes increased \$5,529,009 (19.61%) due to an increase in tax base and taxable valuation. The mill levy reduction also increased \$429,803 (3.48%).

Regular instruction constituted 48.95%, federal program 2.41%, special education 15.05%, vocational education 2.01%, school administration 4.55%, general administration 1.44%, operation & maintenance of plant 14.18%, food service 3.85%, student transportation 2.07%, co-curricular activities .33%, other programs and services .69%, and interest & fiscal charges 4.46% of total expenses for governmental activities during fiscal year 2011-2012.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
 Management's Discussion and Analysis – Continued

Significant expenditure increases occurred in the areas of (1) licensed and classified salaries, with corresponding increases in Social Security tax and retirement plan contributions and (2) significant increases in computer and technology equipment purchases.

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

TABLE III
TOTAL AND NET COST OF SERVICES
 As of June 30, 2012 and 2011

	Total Cost For Year Ended June 30, 2012	Net Cost For Year Ended June 30, 2012	Total Cost For Year Ended June 30, 2011	Net Cost For Year Ended June 30, 2011
Regular Instruction	\$40,187,494	\$39,828,395	\$35,814,596	\$30,803,017
Federal Programs	1,980,386	447,318	2,806,704	1,954,208
Special Education	12,355,203	10,604,806	12,195,100	9,390,128
Vocational Education	1,654,260	1,654,260	1,651,132	1,651,132
School Administration	3,739,845	3,739,845	3,482,256	3,482,256
General Administration	1,185,051	1,185,051	2,007,133	2,007,133
Operations and Maintenance	11,645,185	11,645,185	6,322,382	5,818,820
School Food Services	3,159,839	808,330	3,343,695	158,365
Student Transportation	1,695,681	1,695,681	1,818,160	1,772,685
Co-Curricular Activities	268,247	65,582	1,633,002	1,394,299
Other Programs & Services	567,619	567,619	554,194	554,194
Facility Acquisition and Constr.	-	-	2,194,933	2,194,933
Interest and Service Charges	3,665,668	3,665,668	2,807,259	2,807,259
Total Expenses	\$82,104,478	\$73,328,199	\$76,632,546	\$59,763,283

Total costs of services increased \$5,471,932 (7.14%) as explained above and total net costs of services increased \$13,564,916 (22.70%).

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's governmental funds had total revenue of \$89,343,088 and expenditures of \$109,417,916 for the year ended June 30, 2012 and total revenue of \$89,885,009 and expenditures of \$81,863,784 for the year ended June 30, 2011. A decrease of \$541,921 (-.60%) in governmental fund revenues was due to a decrease in federal program payments. An overall increase of \$27,554,132 (33.66%) was noted in expenditures from the year ended June 30, 2011 to the year ended June 30, 2012 was largely due to an increase in capital outlays and also increases in salaries.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2011-2012, the West Fargo School Board amended the District's general fund. The approved general fund revenue budget was \$70,578,700. The final revenue budget was \$71,438,360 which is an increase of \$859,660 (1.22%). Total revenues collected were \$71,984,997 and included a transfer in of \$48,500.

The approved general fund expenditure budget was \$67,750,370. The final expenditure budget was \$70,440,460 which is an increase of \$2,690,090 (3.97%). A significant portion of the increase in expenditure budget was due to hiring additional staff for the school year.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
 Management's Discussion and Analysis – Continued

See Note 2 for further information on budget amendments and other county governmental funds on page 29 of this report. See also, budgetary comparison schedule for the general fund on page 38 of this report.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2012, the West Fargo Public School District had \$104,346,818 invested in capital assets. Table IV shows the balances as June 30, 2012 and June 30, 2011.

TABLE IV
CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 June 30, 2012 and 2011

	2012	2011
Land	\$ 6,511,063	\$ 6,511,063
Construction in Progress	15,673,364	187,384
Buildings	76,886,327	71,976,647
Parking Lots	128,776	167,794
Vehicles	1,831,667	1,674,031
Equipment	885,664	569,842
Land Improvements	2,429,957	1,806,288
Total Capital Assets (net of accumulated depreciation)	<u>\$104,346,818</u>	<u>\$82,893,049</u>

This total represents a net increase of \$21,453,679 (25.88%) in capital assets from July 1, 2011. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 8 on page 31 to the audited financial statements that follow this analysis.

DEBT ADMINISTRATION

As of June 30, 2012, the West Fargo Public School District had \$121,380,418 in outstanding long-term debt, of that \$8,808,565 was due within one year. Total debt outstanding as of June 30, 2011 was \$57,060,072. The net increase of \$64,320,346 (112.72%) was attributable to the issuance of bonds to be used in the construction of an elementary, middle school and high schools, which was offset by scheduled debt retirement on outstanding debt,

TABLE V
OUTSTANDING GENERAL OBLIGATION DEBT
 June 30, 2012 and 2011

	Total Outstanding June 30, 2011	Due Within July 1, 2010 - June 30, 2012	Total Outstanding June 30, 2012	Due Within July 1, 2011 - June 30, 2013
State School Bonds	\$ 155,000	\$ 155,000	\$ -	\$ -
Bond Issue BB-Refinanced	19,905,000	2,635,000	17,270,000	2,960,000
Bond Issue CC	1,436,313	124,175	1,312,138	125,417
Building Fund Rev. Bonds	1,395,000	210,000	1,185,000	220,000
Bond Issue DD	790,000	390,000	400,000	400,000
Bond Issue EE	19,260,000	1,270,000	17,990,000	1,370,000
Bond Issue FF	1,801,511	120,523	1,680,988	121,728
Bond Issue GG	4,395,000	420,000	3,975,000	435,000
Bond Issue HH	5,000,000	-	5,000,000	-
State School Constr. 2011	-	-	3,834,881	168,372
Bond Issue II – 2011	-	-	65,345,000	2,180,000
Total Bonds	<u>\$54,137,824</u>	<u>\$5,324,698</u>	<u>\$117,993,007</u>	<u>\$7,980,517</u>
Special Assessments	1,857,968	138,813	2,465,032	174,072
Contract for Deed Payable	769,429	375,331	394,098	394,098
Leases Payable	-	-	151,890	34,043
Comp. Absences Payable	294,851	176,911	376,391	225,835
Total Debt	<u>\$57,060,072</u>	<u>\$6,015,753</u>	<u>\$121,380,418</u>	<u>\$8,808,565</u>

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
Management's Discussion and Analysis – Continued

For a detailed breakdown of the additions and deductions to long-term debt, as well as for information about each individual issue, readers are referred to Notes 11 and 12 to the audited financial statements on pages 32-34 of this report.

FOR THE FUTURE / NEXT YEAR'S BUDGETS AND TAX RATES:

The general fund ending balance as of June 30, 2012 is \$13,152,399 and total expenditures were \$70,509,993. The carry over percentage is 18.7% (\$13,152,399 divided by \$70,509,993). The percentage decreased slightly from the previous year of 18.8%. The goal of the school district is to maintain an ending fund balance percent between 10-14 percent.

The school district continues to make progress on the building construction projects that were authorized by the bond referendum of May 24, 2011. The Freedom Elementary School project was completed in August, 2012 and opened at capacity. This has resulted in the need to accelerate the planning regarding additional elementary space that was included in the bond.

The expansion of Sheyenne 9th Grade Center into a high school is currently under way, with the academic addition to the north. This academic wing is scheduled for completion in August, 2013. That is will be followed by a fine arts and physical education addition, which will see the start of construction in May, 2013. Upon completion of all additions, the building will have a capacity of approximately 1,500 students.

The Liberty Middle School is also under construction. This building is designed to house approximately 1,200 students in grades 6 – 8. Completion of this project is scheduled for August, 2013.

The enrollment growth that was experienced by the school district exceeded the projected growth of 395 students. Actual student enrollment increased by 563 students from the prior year, or a difference of 168 students over the projected increase. To assist with long-range planning efforts, the school district was able to take advantage of the efforts of a demographer hired by the Metropolitan Council of Governments (MetroCOG) to look at the long-range demographic forecasts of the entire Fargo-Moorhead metropolitan area. McKibben Demographics was the demographer used by MetroCOG to make forecasts of the population for the next 20 years. By creating a model from their existing database to represent the West Fargo School District geographical boundaries, they were able to provide enrollment forecasts through 2022.

The new modeling by McKibben Demographics shows a steady increase in enrollment that is very similar to the projections of the school district and of RSP and Associates, who did the enrollment projections for the May, 2011 bond referendum.

The following chart shows the effect of the increases in enrollment that were forecast by McKibben Demographics:

2012-2013 Actual (9/30/12)	2013-2014 Projected	2014-2015 Projected	2015-2016 Projected	2016-2017 Projected	2017-2018 Projected
8,056	8,529	8,996	9,428	9,846	10,208

As all indicators are showing continued and sustained growth, it is imperative that the district continue to plan for the additional classrooms and instructional spaces that will be required to meet the increasing population. The most immediate need continues to be space for the elementary grades 1 – 5. The current buildings under construction will meet the needs of middle school and high school students for the next several years.

The opening of these new schools is occurring in a very condensed period of time. The opening of Freedom Elementary in August, 2012 will be followed by Liberty Middle School in August, 2013, the fully expanded Sheyenne High School in August, 2014, an additional elementary school in August, 2014, and a potential additional elementary school in August, 2015. That represents 5 buildings in 3 years. The operations budget of the school district is not positioned well to assume the extra costs that are associated with all these new schools. As a result, the district is looking to the Legislature of the State of ND to make changes to the current funding formula. Our Foundation Aid system is based on the number of students enrolled during the prior school year. As a growing school district, we are requesting consideration of a funding mechanism that would pay for students in the first year that we educate them. For this school year, those additional 563 students would have generated \$2,240,740 in base Foundation Aid payments using the current \$3,980 per student. Those dollars are sorely needed to provide teachers for classrooms, special instructional staff, technology, school buses, and the myriad other needs of a growing district.

The school district is levying the maximum 110.00 mills allowed by statute for general fund purposes. In addition, the district is levying 53.68 mills for debt service to repay bonds for the construction of buildings, 10.00 mills for its Building Fund to maintain existing buildings and repay school construction loans, 5.00 mills for technology and 13.52 mills for other purposes. The total overall mill levy of the district is 192.20 mills for 2012-2013, which is the same total as the levy for 2011-2012.

The General Fund budget, as amended on November 26, 2012, includes estimated revenues of \$77,670,160 and appropriated expenditures of \$78,587,730, which represents an annual deficit of \$917,570. This was a planned deficit, primarily related to the opening of Freedom Elementary. However, with the number of new schools that are planned, it will be essential that the ending fund balance is maintained at a level that will not jeopardize the overall financial health of the district. There are forthcoming financial challenges that face the district, but the School Board and the administration are committed to overcoming these obstacles to ensure our viability and continued success.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our parents, taxpayers, and creditors with a general overview of West Fargo Public Schools' finances and to show the District's accountability for the money it receives to provide the best possible education to all students enrolled in West Fargo Public Schools. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Mark Lemer, Business Manager, West Fargo Public Schools, 207 Main Avenue West, West Fargo, ND 58078-1793; phone 701-356-2002, fax 701-356-2009, or email lerner@west-fargo.k12.nd.us.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities
<u>ASSETS</u>	
Cash and investments	\$ 81,082,218
Internal service fund cash and investments	4,326,272
Accounts receivable	32,768
Intergovernmental receivable	1,483,164
Inventory	2,462
Prepaid expenses	6,962
Taxes receivable	2,031,475
Other asset	753
Restricted Assets:	
Unamortized Bond Issuance Costs	1,055,061
Capital Assets (not being depreciated):	
Land	6,511,063
Construction in progress	15,673,364
Capital Assets (net of accumulated depreciation):	
Buildings	76,886,327
Equipment	885,664
Vehicles	1,831,667
Parking lots	128,776
Land improvements	2,429,957
Total Capital Assets	\$ 104,346,818
Total Assets	\$ 194,367,953
<u>LIABILITIES</u>	
Accounts payable	\$ 4,003,220
Sales tax payable	7,860
Retainage payable	1,466,018
Benefits payable	215,526
Unearned revenue	892
Incurred but not reported claims	602,000
Interest payable	361,918
Long-Term Liabilities:	
Due Within One Year:	
G.O. / Lease Revenue bonds payable	7,980,517
Leases payable	34,043
Special assessments payable	174,072
Contract for deed payable	394,098
Bond premium-unamortized	192,552
Compensated absences	225,835
Due After One Year:	
G.O. / Lease Revenue bonds payable	110,012,489
Leases payable	117,847
Special assessments payable	2,290,960
Bond premium-unamortized	3,008,682
Compensated absences payable	150,556
Total Liabilities	\$ 131,239,085
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ (16,338,349)
Restricted for:	
Special purposes	3,331,973
Debt service	870,279
Capital projects	57,890,859
Unrestricted	17,374,106
Total Net Assets	\$ 63,128,868

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Regular instruction	\$ 40,187,494	\$ 359,099	\$ -	\$ (39,828,395)
Federal programs	1,980,386	-	2,427,704	447,318
Special education	12,355,203	263,214	1,487,183	(10,604,806)
Vocational education	1,654,260	-	-	(1,654,260)
School administration	3,739,845	-	-	(3,739,845)
General administration	1,185,051	-	-	(1,185,051)
Operations and maintenance	11,645,185	-	-	(11,645,185)
Student transportation	1,695,681	-	-	(1,695,681)
Co-curricular activities	268,247	202,665	-	(65,582)
Other programs and services	567,619	68,245	-	(499,374)
School food services	3,159,839	2,253,720	1,714,449	808,330
Interest and fees on long-term debt	3,665,668	-	-	(3,665,668)
Total Governmental Activities	\$ 82,104,479	\$ 3,146,943	\$ 5,629,336	\$ (73,328,200)
<u>General Revenues:</u>				
Property taxes; levied for general purposes				\$ 19,393,201
Property taxes; levied for alternative programs & tuition				1,207,856
Property taxes; levied for technology & building purposes				884,921
Property taxes; levied for capital projects				524,432
Property taxes; levied for special reserve				2,108,537
Property taxes; levied for debt service				9,599,323
Grants and contributions not restricted to specific programs:				
Per pupil foundation aid				30,974,361
Mill levy reduction aid				12,781,064
Other grants and contributions not restricted				1,439,180
Unrestricted investment earnings				489,614
Rental income				581,048
Miscellaneous revenues				323,349
Total General Revenues				\$ 80,306,886
Net Change in Assets				\$ 6,978,686
Net Assets - July 1				\$ 56,150,182
Net Assets - June 30				\$ 63,128,868

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Reserve	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 12,375,289	\$ 2,240,224	\$ 2,929,391	\$ 62,395,897	\$ 1,141,417	\$ 81,082,218
Accounts receivable	32,768	-	-	-	-	32,768
Intergovernmental receivable	1,483,164	-	-	-	-	1,483,164
Taxes receivable	1,307,667	32,146	691,662	-	-	2,031,475
Prepaid expense	6,962	-	-	-	-	6,962
Inventories	2,462	-	-	-	-	2,462
Other asset	-	-	-	450	303	753
Total Assets	\$ 15,208,312	\$ 2,272,370	\$ 3,621,053	\$ 62,396,347	\$ 1,141,720	\$ 84,639,802
LIABILITIES AND FUND BALANCES						
<u>Liabilities:</u>						
Accounts payable	\$ 963,750	\$ -	\$ -	\$ 3,039,470	\$ -	\$ 4,003,220
Sales tax payable	7,860	-	-	-	-	7,860
Benefits payable	215,526	-	-	-	-	215,526
Unearned revenue	892	-	-	-	-	892
Deferred revenue	1,307,667	32,146	691,662	-	-	2,031,475
Total Liabilities	\$ 2,495,695	\$ 32,146	\$ 691,662	\$ 3,039,470	\$ -	\$ 6,258,973
<u>Fund Balances:</u>						
<u>Non-Spendable:</u>						
Inventory	\$ 2,462	\$ -	\$ -	\$ -	\$ -	\$ 2,462
Prepaid items	6,962	-	-	-	-	6,962
<u>Restricted for:</u>						
Alternative levy	33,153	-	-	-	-	33,153
Special reserve levy	-	2,240,224	-	-	-	2,240,224
Food service	-	-	-	-	1,065,544	1,065,544
Debt service	-	-	2,929,391	1,479,355	-	4,408,746
Capital projects	-	-	-	56,828,496	-	56,828,496
<u>Committed to:</u>						
Debt service & maintenance	-	-	-	-	76,176	76,176
Capital projects	-	-	-	1,049,026	-	1,049,026
<u>Assigned to:</u>						
ARRA education jobs	1,101,934	-	-	-	-	1,101,934
<u>Unassigned:</u>	11,568,106	-	-	-	-	11,568,106
Total Fund Balances	\$ 12,712,617	\$ 2,240,224	\$ 2,929,391	\$ 59,356,877	\$ 1,141,720	\$ 78,380,829
Total Liabilities and Fund Balances	\$ 15,208,312	\$ 2,272,370	\$ 3,621,053	\$ 62,396,347	\$ 1,141,720	\$ 84,639,802

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total *Fund Balances of Governmental Funds* \$ 78,380,829

Total *net assets* reported for governmental activities in the statement of net assets 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	\$ 135,040,277	
Less Accumulated Depreciation	<u>(30,693,459)</u>	
Net Capital Assets		104,346,818

An internal service fund is used by the school district to charge the cost of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets are: 3,724,272

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds. 2,031,475

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rater is recognized as an expenditure when due. All liabilities- both current and long-term - are reported in the statement of net assets. Balances at June 30, 2012 are made up of the following liabilities:

Bonds Payable	(117,993,006)	
Leases Payable	(151,890)	
Special Assessments Payable	(2,465,032)	
Contract for Deed Payable	(394,098)	
Interest Payable	(361,918)	
Bond Premium - Unamortized Balance	(3,201,234)	
Retainage Payable	(1,466,018)	
Bond Issuance Costs- Unamortized Balance	1,055,061	
Compensated Absences	<u>(376,391)</u>	
Total Long-Term Liabilities		<u>(125,354,526)</u>

Total Net Assets - Governmental Activities \$ 63,128,868

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General	Special Reserve	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 22,778,713	\$ 530,953	\$ 9,505,010	\$ 2,108,537	\$ 2,456,385	\$ 37,379,598
State sources	45,194,605	-	-	-	41,749	45,236,354
Federal sources	3,914,887	-	-	-	1,672,700	5,587,587
Other sources	96,792	7,972	26,351	407,737	600,697	1,139,549
Total Revenues	\$ 71,984,997	\$ 538,925	\$ 9,531,361	\$ 2,516,274	\$ 4,771,531	\$ 89,343,088
Expenditures:						
Current:						
Regular instruction	\$ 40,326,854	-	-	-	-	\$ 40,326,854
Federal programs	1,986,364	-	-	-	-	1,986,364
Special education	12,381,141	-	-	-	-	12,381,141
Vocational education	1,656,555	-	-	-	-	1,656,555
School administration	3,750,635	-	-	-	-	3,750,635
General administration	2,131,682	-	-	-	-	2,131,682
Operations and maintenance	4,833,153	-	-	-	-	4,833,153
Student transportation	2,279,164	-	-	-	-	2,279,164
Co-curricular activities	232,538	-	-	-	1,286,450	1,518,988
Other programs and services	281,368	-	-	-	288,193	569,561
School food services	-	-	-	-	3,688,772	3,688,772
Capital Outlay	438,440	-	-	22,228,497	-	22,666,937
Debt Service:						
Principal	402,617	-	7,134,818	174,240	210,000	7,921,675
Interest	44,361	-	3,428,847	125,760	56,565	3,655,533
Fiscal charges and fees	-	-	7,621	41,481	1,800	50,902
Total Expenditures	\$ 70,744,872	\$ -	\$ 10,571,286	\$ 22,569,978	\$ 5,531,780	\$ 109,417,916
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,240,125	\$ 538,925	\$ (1,039,925)	\$ (20,053,704)	\$ (760,249)	\$ (20,074,828)
Other Financing Sources (Uses):						
Transfers in	\$ 48,500	-	\$ 3,003,877	-	\$ 1,083,785	\$ 4,136,162
Bond proceeds	-	-	-	71,200,000	-	71,200,000
Bond premium	-	-	-	3,004,658	-	3,004,658
Lease proceeds	179,176	-	-	-	-	179,176
Cost of issuance	-	-	-	(1,110,590)	-	(1,110,590)
Transfers out	(1,083,785)	-	-	(3,003,877)	(48,500)	(4,136,162)
Total Other Financing Sources and Uses	\$ (856,109)	\$ -	\$ 3,003,877	\$ 70,090,191	\$ 1,035,285	\$ 73,273,244
Net Change in Fund Balances	\$ 384,016	\$ 538,925	\$ 1,963,952	\$ 50,036,487	\$ 275,036	\$ 53,198,416
Fund Balances - July 1	\$ 12,328,601	\$ 1,701,299	\$ 965,439	\$ 9,320,390	\$ 866,684	\$ 25,182,413
Fund Balances - June 30	\$ 12,712,617	\$ 2,240,224	\$ 2,929,391	\$ 59,356,877	\$ 1,141,720	\$ 78,380,829

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ 53,198,416

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital asset additions and contributions in the current year.

Capital Asset Additions	\$ 24,101,455	
Current Year Depreciation Expense	(2,644,477)	21,456,978

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets. (3,209)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt repayment.

Bonds Payable	\$ 7,344,818	
Leases Payable	27,286	
Special Assessments Payable	174,240	
Contract for Deed Payable	375,331	7,921,675

Issuance of debt increases liabilities in the statement of net assets, but are other financing sources on the modified accrual basis. This is the debt issuance:

Issuance of Bonds	\$(71,200,000)	
Capital Lease	(179,176)	
Issuance of Special Assessments	(781,304)	
Premium Amortization	(3,004,658)	
Issuance Costs	1,110,590	(74,054,548)

Bond premium amortization is a reduction to interest expense as it is amortized over the life of the outstanding bonds using the straight-line method. Bond issuance costs and discount are amortized over the life of the bond using the straight-line method (as interest expense):

Premium Amortization	\$ 192,552	
Issuance Costs	(55,529)	137,023

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

Net Increase in Compensated Absences	\$ (81,540)	
Net increase in Retainage Payable	(1,466,018)	
Net Increase in Interest Payable	(96,256)	(1,643,814)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes receivable. (259,923)

An internal service fund is used by the district's management to charge the cost of health insurance to individual functions. The net income of internal service funds is reported with governmental activities. 226,088

Change in Net Assets of Governmental Activities \$ 6,978,686

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	<u>Internal Service Fund</u>
<u>Assets:</u>	
<u>Current Assets:</u>	
Cash and investments	<u>\$ 4,326,272</u>
<u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Incurred but not reported claims	<u>\$ 602,000</u>
<u>Net Assets:</u>	
Unrestricted	<u>\$ 3,724,272</u>
Total Net Assets	<u>\$ 3,724,272</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	<u>Internal Service Fund</u>
<u>Revenues:</u>	
<u>Operating Revenues:</u>	
Contributions to self-insurance	<u>\$ 9,028,679</u>
 <u>Expenses:</u>	
<u>Operating Expenses:</u>	
Insurance claims	<u>\$ 8,802,591</u>
 Operating Income	<u>\$ 226,088</u>
 Net Assets - July 1	<u>\$ 3,498,184</u>
 Net Assets - June 30	<u>\$ 3,724,272</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	<u>Internal Service Fund</u>
<u>Cash Flows from Operating Activities:</u>	
Received from user charges	\$ 9,028,679
Payments for insurance claims	<u>(8,636,591)</u>
Net Cash Provided by Operating Activities	<u>\$ 392,088</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 392,088</u>
Cash and Cash Equivalents - July 1	<u>\$ 3,934,184</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 4,326,272</u></u>
<u>Reconciliation of Operating Profit to Net Cash Used by Operating Activities:</u>	
Operating profit	\$ 226,088
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Decrease in IBNR Claims Payable	<u>166,000</u>
Net Cash Provided by Operating Activities	<u><u>\$ 392,088</u></u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2012

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and investments	\$ 604,508
Prepaid expense	<u>951</u>
Total Assets	<u>\$ 605,459</u>
<u>Liabilities:</u>	
Trust & agency consortium	\$ 15,631
Due to student activities groups	<u>589,828</u>
Total Liabilities	<u>\$ 605,459</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of West Fargo Public School District No. 6, West Fargo, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. 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 government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of West Fargo Public School District No. 6. The school district has considered all potential component units for which the school district is financially accountable and other organizations for which the nature and significance of their relationships with the school district such that exclusion would cause the school district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of West Fargo Public School District No. 6 to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on West Fargo Public School District No. 6.

COMPONENT UNIT

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component unit have been included in the financial reporting entity.

Blended Component Unit: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Based on these criteria, there is one component unit to be blended within West Fargo Public School District No. 6 as a reporting entity.

West Fargo Public School District No. 6 Building Authority:

The West Fargo Public School District No. 6 Building Authority was created by the school board to aid, assist, and foster the planning, development, construction, renovation and improvement of school buildings, furnishings, fixtures, equipment and related facilities for West Fargo Public School District No. 6, all for the purpose of securing adequate schools and related facilities. To help make bond payments and pay operating costs, the Building Authority will charge rent to entities interested in leasing space. The School Board is the Building Authority Board and they make the operating and financing decisions of the Building Authority. Thus, the entity was included as a blended component unit of the School District in a separate special revenue fund. Complete financial statements of the blended component unit may be obtained from the Business Manager, West Fargo Public School District No. 6, 207 Main Ave W., West Fargo, North Dakota, 58078-1793.

B. Basis of Presentation, Basis of Accounting

Government-wide statements: The statement of net assets and the statement of activities display information about the primary government (West Fargo Public School District No. 6). These statements include the 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, fees and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 and unrestricted state grants operating contributions, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the school district's funds including its 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 nonmajor 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 major 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.

Special Reserve Fund. This is a special revenue fund used for special purposes. Primary revenue source in this fund is a restricted tax levy.

Debt Service Fund. This fund is used to account for financial resources to be used for payment of long-term debt principal, interest and related costs.

Capital Projects Fund. This fund is used to account for financial resources to be used for acquisition or construction of major capital facilities.

The School District reports the following fund types:

Internal Service Fund. This fund accounts for medical insurance provided to other departments on a cost-reimbursement basis.

Agency Funds. These fund accounts for assets by the School District in a custodial capacity as an agent on behalf of others. The School District's agency funds are used to account for various deposits of the student activity funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide 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 is 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 are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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.

D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of certificates of deposit with a maturity of 3 months or more. Deposits must either be deposited with the Bank of North Dakota or in other 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.

Investments consist of certificates of deposits stated at cost and U.S. government-backed securities stated at fair market value.

E. Inventories

Supplies are purchased before year-end for the next year. This inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

F. Capital Assets

Capital assets include property, plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 is not capitalized.

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

Assets	Years
Permanent Buildings	50 years
Temporary or Wood Structures	10 years
Playground Equipment	20 years
School Busses	15 years **
Other Vehicles	15 years
Servers & Computer Hardware	5 years
Copy Machines	6 years
Other Equipment	10 years
Land Improvements	20 years
Other Improvements	20 years
Parking Lots	10 years

** - Busses are assumed to have a salvage value of \$1,500 each.

Other vehicles are assumed to have a salvage value of 5% of cost basis. Copy machines are assumed to have a salvage value of 2% of cost basis.

G. Compensated Absences

Vested or accumulated vacation and personal leave for qualified employees is reported in the government-wide statement of net assets. Upon termination of employment with the school district, compensation for unused vacation and personal leave earned and available is administered as follows:

Classified Staff:

Vacation is earned by staff who work at least 30 hours per week, 12 months per year at the rate of 12, 15, 18, 21 or 24 days per year based on years of service. The employee's vacation leave that is earned between July 1 and June 30th of each fiscal year must be used by the following June 30, or it is forfeited. Compensation for all earned and available vacation is paid to the classified employee upon termination of employment with the district.

Personal leave is available to all classified employees who do not qualify for vacation leave with the exception of administrators or employees who are designated as temporary staff. Qualified employees who earn personal leave must work a regular schedule of at least nine months, and earn two days (based on their assigned work day) per year of personal leave. Earned personal leave is not made available for use until the employee has been in the employ of the school district for at least 60 days. Requests to use personal leave must be made two days in advance, and are subject to supervisory approval. If unused, up to four days of personal leave may be carried forward into the next fiscal year. Compensation for all earned and available personal leave is paid to the classified employee upon termination of employment with the district.

Licensed Staff:

Personal leave is available to all licensed employees with the exception of administrators or employees who are designated as temporary staff. Employees earn two days per year (based on their assigned work day) of personal leave, with a maximum accumulation of five days. Earned personal leave is made available for use by the licensed employee immediately upon employment. Requests to use personal leave must be made 48 hours in advance, and must be approved by the building principals subject to limits set forth in the master contract. If unused at the end of a fiscal year, three days of personal leave may be carried forward into the next fiscal year. Compensation for all earned and available personal leave is paid to the licensed employee upon termination of employment with the district.

Sick leave is earned by classified employees at the rate of one working day per month and by licensed employees at the rate of ten days per contract year. However, no compensation is granted for unused sick leave upon termination of employment.

H. 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 assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. If amounts are not material, they are recognized in the current period.

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.

I. Fund Balances & Net Assets Equity

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 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 West Fargo Public School District 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 West Fargo Public School District Board adopted a policy that establishes a 10-14% general fund carryover balance target to help with financial stability. The 10-14% fund balance range is a part of the budget recommendation adopted by the school board each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$12,007,888 at June 30, 2012 represented 17.1% of FY2012 expenditures.

Budget Stabilization Policy:

Replenishing deficiencies – when fund balance falls below the minimum 10 percent range, the District will replenish shortages/deficiencies using the budget strategies and timeframes described as follows.

The following budgetary strategies shall be utilized by the District to replenish funding deficiencies:

- The District will reduce recurring expenditures to eliminate any structural deficit; or
- The District will increase revenues or pursue other funding sources; or
- Some combination of the two options above.

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, 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.
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 Board. 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 board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest 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	Available for any remaining general fund expenditure.

Restricted Fund Balances – consist of the following items at June 30, 2012:

General Fund (major fund) – restricted by enabling legislation (annual budget - levy):

- (a) Tuition levy – restricted by a specified tax levy for a specific purpose - a negative amount of (\$8,739) existed at 6-30-12; thus, it was reclassified to unassigned general fund balance;
- (b) Alternative levy – restricted by a specified tax levy for a specific purpose – \$33,153;

Capital Projects Fund (major fund) – restricted by enabling legislation & bond indenture):

- (a) High School/Middle School/Elementary School – restricted by bond indenture for capital projects construction -- \$56,652,478;
- (b) Remodeling / HVAC levy fund balance – restricted by specified tax levy – \$176,020 (construction/capital projects);
- (c) Special assessments levy fund balance – restricted by specified tax levy – \$157,382 (debt service);
- (d) State School Construction fund balance – restricted by tax levy for debt service -- \$1,321,973;

Debt Service Fund (major fund – restricted by enabling legislation - levy):

(a) Bond payments restricted by bond indenture and specified tax levies reported in the major debt service fund – consists of bonds BB, CC, EE, FF, HH, II, and JJ – totaling \$2,929,391;

Special Reserve fund (major fund) – restricted by specified tax levy (enabling legislation – annual budget) – totaling \$2,240,224.

The special reserve is designed to provide cash flow to the school district when general fund reserves are spent. This traditionally happens at the end of December, before the new year's taxes were collected. If the special reserve is not needed for cash flow, there is a provision in the law that allows the School Board to transfer up to ½ of the balance to the general fund to be used for any allowable purpose. For the past few years, West Fargo PSD has made transfers from the special reserve to the general fund to offset the annual installments associated with our land purchases.

Food Service fund – restricted by federal and state reimbursements (revenues) for free and reduced meals and grants – reported in other governmental funds – totaling \$1,065,544.

Committed Fund Balances – consist of the following at June 30, 2012:

Committed fund balances are reported in the major capital projects fund totaling \$1,049,026 and consist of the following:

- (a) Land purchases fund balance – amounts committed by the board to making land purchases for additions to schools and new school construction sites (\$2,047);
- (b) High school parking lot improvements fund balance – committed by the school board/Business Manager for making parking lot improvements in fund 30 (\$50,000);
- (c) One-time supplemental grant fund balance – committed by the school board/Business Manager for the following (High School Wellness Center addition, High School Flooring & wall covering renovations; High School Food Service addition and renovations; Cheney Site Improvements; Bus Barn Parking Lot; and, Bus Barn Remodeling (\$813,126).
- (d) QCSB project – committed by the school board to capital projects -- \$183,853;

Assigned Fund Balances – consist of the following at June 30, 2012:

Assigned general fund balance consists of a Budget Committee recommendation that West Fargo PSD use those funds to retain some of the American Reinvestment and Recovery Act (ARRA) positions during the next 4 years. Basically ¼ of the education jobs dollars will be released from the assigned fund balance each year, beginning in 2011-2012, so that some of the special education ARRA positions may be continued.

Net Assets Equity:

Invested in capital assets, net of related debt, 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 the 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 assets equity, shown in the Statement of Net Assets, are due to restricted tax levies and bond indenture requirements for our capital projects. The restriction in debt service funds are for restricted tax levies for debt retirement also restricted by indenture.

Unrestricted net assets equity is primarily unrestricted amounts related to the general fund and any negative fund 'balances'. The unrestricted net assets equity is available to meet the district's ongoing obligations.

J. 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 transactions, except reimbursements, are reported as transfers.

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school district amended the budget of various school funds during the 2011-2012 year:

	REVENUES – TRANSFER IN		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u>			
General Fund	\$71,000,990	\$ 851,170)	\$71,852,160
Special Reserve Fund	523,270	(280)	522,990
Capital Projects Fund	2,276,850	74,286,000	76,562,850
Debt Service Fund	7,298,370	5,216,960	12,515,330

	EXPENDITURES – TRANSFER OUT		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u>			
General Fund	\$69,584,760	\$ 2,019,460	\$71,604,220
Capital Projects Fund	11,024,830	13,654,720	24,679,550
Debt Service Fund	7,379,750	3,194,680	10,574,430
Food Service Fund	3,459,440	21,840	3,481,280
Co-Curricular Fund	1,315,100	2,110	1,317,210

NOTE 3: DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, West 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 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 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 any other state of the United States or such other securities approved by the banking board.

At year ended June 30, 2012, the school district's carrying amount of deposits was \$85,680,208 and the bank balances totaled \$87,921,980. Of the bank balances, \$1,868,069 was covered by Federal Depository Insurance. Investments totaling \$47,568,712 are not collateralized. The remaining bank balances totaling \$38,485,200 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The school district may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

Interest Rate Risk:

The School District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

The school does not have a limit on the amount it may invest in any one issuer.

The School District's latest bond rating obtained June 30, 2012 is Aa3 for the general obligation bonds and A1 for the limited tax and revenue bonds.

NOTE 4: TAXES RECEIVABLE

The taxes receivable represents the past four years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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. The first installment is due by 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 due dates, 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: ACCOUNTS & INTEREST RECEIVABLE

Accounts and interest receivable consists of amounts for accrued interest and amounts on open account from other school districts and organizations for goods and services furnished by the school district. No allowance has been established for uncollectible accounts.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
Notes to the Financial Statements - Continued

NOTE 7: PREPAID EXPENSES

Prepaid expenses consist of rent, and book purchases in the general fund paid prior to year end but not received until the next fiscal year.

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2012:

Primary Government:	Balance 7-1-11	Increases	Decreases	Transfers	Balance 6-30-12
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 6,511,063	\$ -	\$ -	\$ -	\$ 6,511,063
Construction in Progress	187,384	18,802,17	\$ -	\$ -	15,673,364
Total Capital Assets Not Being Depreciated	\$ 6,698,447	\$ 18,802,176	\$ -	\$(3,316,198)	\$ 22,184,427
<i>Capital assets being depreciated:</i>					
Buildings	\$ 96,662,375	\$ 4,542,966	\$ -	\$ 2,393,167	\$103,598,508
Vehicles	2,986,983	371,377	130,215	-	3,228,145
Equipment	1,900,060	219,175	115,343	298,279	2,302,171
Parking Lots	390,181	-	-	-	390,181
Land Improvements	2,546,334	165,759	-	624,752	3,336,845
Total Capital Assets, Being Depreciated	\$104,485,933	\$ 5,299,277	\$245,558	\$ 3,316,198	\$112,855,850
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 24,685,728	\$ 2,026,453	\$ -	\$ -	\$ 26,712,181
Vehicles	1,312,952	210,532	127,006	-	1,396,478
Equipment	1,330,218	201,632	115,343	-	1,416,507
Parking Lots	222,387	39,018	-	-	261,405
Land Improvements	740,046	166,842	-	-	906,888
Total Accumulated Depreciation	\$ 28,291,331	\$ 2,644,477	\$242,349	\$ -	\$ 30,693,459
Total Capital Assets Being Depreciated, Net	\$ 76,194,602	\$ 2,654,800	\$ 3,209	\$ 3,316,198	\$ 82,162,391
Governmental Activities Capital Assets, Net	\$ 82,893,049	\$21,456,978	\$ 3,209	\$ -	\$104,346,818

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

Governmental Activities:	2012
Regular Instruction	\$ 94,243
Administration	39,772
Food Service	35,816
Operations and Maintenance	2,082,240
Transportation	233,515
Co-Curricular	158,891
Total Depreciation Expense-Governmental Activities	\$2,644,477

NOTE 9: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at June 30 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
Notes to the Financial Statements - Continued

NOTE 10: BENEFITS PAYABLE

Benefits payable consists of payroll deductions withheld for insurance and paid in July and August.

NOTE 11: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended June 30, 2012, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:	Restated 7-1-11	Increases	Decreases	Balance 6-30-12	Due Within One Year
G.O. / Lease Revenue Bonds	\$54,137,824	\$71,200,000	\$7,344,817	\$117,993,007	\$7,980,517
Special Assessments	1,857,968	781,304	174,240	2,465,032	174,072
Contract for Deed	769,429	-	375,331	394,098	394,098
Bond Issuance Costs/Disc.	-	(1,110,590)	55,530	(1,055,061)	(55,530)
Bond Premium	389,128	3,004,658	192,552	3,201,234	192,552
Compensated Absences *	294,851	81,540	-	376,391	225,835
Total Governmental Activities	\$57,449,200	\$73,956,912	\$8,142,469	\$123,374,701	\$8,911,544

* - The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Outstanding debt (excluding compensated absences) at June 30, 2012 consists of the following individual issues:

General Obligation and Lease Revenue Bonds Payable (gross amounts):

\$19,905,000 General Obligation School Building Refunding Bonds Series 2010, due in annual installments of \$2,960,000 to \$3,855,000 through May 2017; interest at 2.0% to 3.0%.	\$17,270,000
\$2,500,000 School Building Bonds 2002B, due in annual installments of \$125,417 to \$137,167 through June 2022; interest at 1.0%.	1,312,138
\$5,500,000 School Building Bonds 2009, due in annual installments of \$435,000 to \$570,000 through November 1, 2020; interest at 3.75% to 4.0%.	3,975,000
\$67,200,000 State School G.O. Bonds of 2011, due in annual installments of \$2,180,000 to \$6,320,000 through May 2031; interest at 3.0% to 4.0%.	65,345,000
\$4,000,000 State School Construction Bonds of 2011, due in annual installments of \$168,372 to \$239,207 through May 2031; interest at 1.97%.	3,834,881
\$2,500,000 Lease Revenue Bonds, Series 2004, due in annual installments of \$220,000 to \$260,000 through November 1, 2017; interest at 4.0% to 4.2%.	1,185,000
\$24,500,000 General Obligation School Building Bonds, Series 2009, due in annual installments of \$1,370,000 to \$3,530,000 through May 1, 2020; interest at 4.5%.	17,990,000
\$2,700,000 Limited Tax School Building Fund Bonds, Series 2009, due in one annual installment of \$400,000 through May 1, 2013; interest at 3.75%.	400,000

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
Notes to the Financial Statements - Continued

General Obligation and Lease Revenue Bonds Payable (gross amounts): CONTINUED

\$5,000,000 Limited Tax School Building Fund Bonds, Series 2010B, due in one installment of \$5,000,000 on May 1, 2027, interest at 5.75%. \$ 5,000,000

\$2,500,000 General Obligation School Building Bonds, Series 2009, due in annual installments of \$121,728 to \$137,167 through June 1, 2025; interest at 1.0%. 1,680,988

Total Bonds Payable \$117,993,007

Special Assessments Payable:

Special Assessments Payable represents special assessment taxes levied by the City of West Fargo, ND and the City of Horace, 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 through 2034 with interest at 4.0% to 7.0%. \$ 2,465,032

Contracts for Deed Payable:

Contracts for Deed Payable represents amounts owed to two citizens from which land was purchased in 2008. The contracts for deed payable were due in five annual installments through 2013 with interest at 5%. \$ 394,098

Total Long-Term Debt (excluding compensated absences) \$120,852,137

Debt service requirements (excluding compensated absences) on long-term debt at June 30, 2012 are as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending June 30	Bonds Payable		Special Assmts. Payable		Contract for Deed Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 7,980,517	\$ 4,356,456	\$ 174,072	\$117,292	\$394,098	\$19,705
2014	7,966,306	4,072,905	174,242	108,883	-	-
2015	8,052,184	3,791,602	174,421	100,465	-	-
2016	8,588,154	3,543,381	174,609	92,039	-	-
2017	8,349,218	3,245,773	174,805	83,604	-	-
2018-2022	27,070,409	12,528,171	854,323	291,882	-	-
2023-2027	26,406,764	8,499,259	398,201	114,627	-	-
2028-2032	23,579,455	2,397,222	192,541	58,232	-	-
2033-2037	-	-	147,818	15,667	-	-
Totals	\$117,993,007	\$42,434,769	\$2,465,032	\$677,298	\$394,098	\$19,705

Year Ending June 30	Bond Premium/Discount	
	Premium	Discount
2013	\$ 192,552	\$ 55,530
2014	192,552	55,529
2015	192,552	55,530
2016	192,552	55,529
2017	192,552	55,530
2018-2022	879,878	277,647
2023-2027	757,664	277,648
2028-2032	600,932	222,118
Totals	\$3,201,234	\$1,055,061

CROSSOVER ADVANCE DEBT REFUNDING (DEFEASED DEBT)

On April 8, 2010, the West Fargo Public School District issued \$19,905,000 of bonds to advance refund \$20,075,000 of bonds to obtain principal and interest savings over the life of the new bonds. \$19,905,000 of general obligation school building refunding bonds, series 2010 with a true interest cost of 1.899% were issued to refund the remaining 2002 general obligation refunding bonds totaling \$20,075,000 for a total cost savings of \$2,076,230 and \$1,920,776 in net present value savings (economic gain) over the remainder of the bonds. The crossover date of the refunding is May 1, 2014; however the issue is considered defeased and is not shown in the financial statements.

NOTE 12: DEFERRED / UNEARNED REVENUES

Deferred/unearned revenues on the fund financial statements consist of amounts 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, such amounts are measurable but not available and include taxes receivable and unearned revenue from a grant. Deferred revenue on the balance sheet in the general fund consists of \$2,031,475 in uncollected property taxes. Deferred revenue in the other funds consists of uncollected property taxes receivable.

NOTE 13: TRANSFERS

The following is a reconciliation of transfers in and transfers out as reported in the government fund financial statements for the year ended June 30, 2012:

	Transfer In	Transfer Out
General	\$ 48,500	\$1,083,785
Capital Projects Fund- Fund 30	-	3,003,878
Debt Service Funds- Fund 40	3,003,878	-
Food Service- Fund 50	-	48,500
Co-Curricular- Fund 61	1,083,785	-
Total	\$4,136,162	\$4,136,162

Transfers are done primarily for the following reasons:

- Transfer money from the state construction fund to help make debt service payments on various debt issues;
- Transfer money from the special reserve fund to the general fund to help fund certain capital projects costs;

NOTE 14: RISK MANAGEMENT

The West Fargo Public School District No. 6 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.

The West Fargo Public School District purchases general liability, automobile, and umbrella insurance coverage through EMC Insurance. The general liability and automobile liability coverage is supplemented by the umbrella coverage, resulting in a loss limit of three million dollars per occurrence.

The West Fargo Public School District No. 6 also participates in the State Bonding Fund. The school district pays an annual premium to St. Paul Travelers to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with St. Paul Travelers. The State Bonding Fund currently provides political subdivision 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 West Fargo Public School District No. 6 has workers compensation with the Workforce, Safety and Insurance. The West Fargo Public School District No. 6 has retained risk for employee health and accident insurance up to a maximum of \$25,000 per individual. They have purchased a stop loss policy for amounts in excess of \$25,000.

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

NOTE 15: IBNR CLAIMS – SELF INSURANCE

The IBNR (Incurred but not Reported) claims are an estimate of the health insurance claims for, which the school district is liable, incurred prior to June 30, 2012 but not paid until the following year.

The school district is self-insured for a comprehensive group health insurance plan. The school district records estimated liabilities for such claims filed or estimated to be filed for incidents that have occurred in the related Internal Service Fund.

Employee Health	
Balance - July 1, 2011	\$436,000
Incurred Claims Including IBNR's and Changes in Estimates	166,000
Balance - June 30, 2012	<u>\$602,000</u>

NOTE 16: PENSION PLANS

1. North Dakota Teacher's Fund for Retirement (TFFR)

The West Fargo Public School District No. 6 contributes to the North Dakota Teacher's Fund for Retirement (TFFR); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its certified staff. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. That report may be obtained by writing to Teacher's Fund for Retirement, 1930 Burnt Boat Drive, PO Box 7100, West Fargo, North Dakota, 58507-7100.

Plan members are required to contribute 7.75% of their annual covered salary and the school district is required to contribute 8.75% of the teacher's salary. The school district has agreed to pay 100% of the member assessments. The contribution requirements of plan members and the school district are established and may be amended by the State legislature. The school district's & employee's total contributions to TFFR for the fiscal years ending June 30, 2012, 2011 and 2010 were \$5,816,072, \$5,523,580, and \$5,029,654, respectively, equal to the required contributions for the year.

2. North Dakota Public Employees' Retirement System

The West Fargo Public School District No. 6 contributes to the North Dakota Public Employees' Retirement System (NDPERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota for its non-certified staff. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, P.O. Box 1214, West Fargo, North Dakota, 58502-1214.

Plan members are required to contribute 5% of their annual salary. The school district is required to contribute 6.26% of the employee's salary which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The school district has agreed to pay 100% of the member assessments. The contribution requirements of plan members and the school district are established and may be amended by the State Legislature. The school district's and employee's contributions to NDPERS for the years ending June 30, 2012, 2011, and 2010 were \$973,550, \$833,328, and \$788,051, respectively, equal to the required contributions for the year.

NOTE 17: COMMITMENTS

The West Fargo Public School District No. 6 had the following commitments for construction contracts as of June 30, 2012.

Project	Contract Amount	Total Completed	Remaining Balance	Retainage	Total
High School Fitness Addition	\$ 1,137,760	\$ 1,117,553	\$ 20,207	\$ 124,173	\$ 144,380
Osgood Kindergarten Expansion	2,118,923	2,088,250	30,673	232,028	262,700
High School Food Service	813,126	394,488	418,648	43,832	462,480
Freedom Elementary School	9,074,861	7,142,011	1,932,851	786,625	2,719,475
Liberty Middle School	26,473,215	959,119	25,514,096	106,569	25,620,665
Sheyenne Phase 1	1,104,5503	1,400,053	9,645,096	15,561	6,801,012
Sheyenne Site Improvements	2,364,138	155,073	2,209,065	17,230	2,226,295
Totals	\$53,027,536	\$13,256,546	\$39,770,990	\$1,466,018	\$41,237,007

NOTE 18: BUDGET TO ACTUAL RECONCILIATION

Leases issue for copiers issued in FY2012 paid by the General Fund are not included in the budgetary comparison schedule but are included in the combined statement of revenues, expenditures and changes in fund balances. The reconciliation is provided below:

Capital Improvements	Combined Statement	Adjustment	Budget to Actual Statement
Expenditures	\$70,744,872	\$(179,176)	\$70,565,696
Lease Proceeds	179,176	(179,176)	-

NOTE 19: SUBSEQUENT EVENTS

- 1) In August, 2012, the construction of Freedom Elementary was completed. The costs of this project are included in the Construction in Progress that is reported for the audit period. The final cost of construction including design fees, furniture, and miscellaneous expenses was \$10,201,009.47. The primary construction contracts, including Change Orders were as follows:

a.	Rochon Corporation (General Construction)	\$ 6,212,915.93
b.	S. A. Mechanical (Mechanical Construction)	1,779,000.00
c.	Scott's Electric (Electrical Construction)	1,041,060.61

- 2) On January 1, 2013, the ND Public Employees Retirement System (NDPERS) will increase contributions by 1.00% for the employer and 1.00% for the employee. The district has agreed to assume the entire 2.00% increase in the contributions. These changes will increase the district's contribution from 11.26% to 13.26%. The increases relate to the current financial condition of NDPERS, and the 2013 Legislative Session may adopt additional increases to bolster the solvency of the fund.
- 3) On July 1, 2012, the ND Teachers' Fund for Retirement (NDTFFR) will increase contributions by 1.00% for the employer and 1.00% for the employee. The district has agreed to assume the entire 2.00% increase in the contributions. There is an additional increase planned for July 1, 2013 of 1.00% for the employer and 1.00% for the employee, both of which will be assumed by the district. These changes will increase the district's contribution from 16.50% to 20.50%. The increases relate to the current financial condition of the fund, and additional similar increases are planned through July 1, 2015 to bolster the solvency of the fund

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local sources	\$ 21,852,670	\$ 21,908,310	\$ 22,778,713	\$ 870,403
State sources	45,472,210	45,281,430	45,194,605	(86,825)
Federal sources	3,132,320	4,127,120	3,914,887	(212,233)
Other sources	121,500	121,500	96,792	(24,708)
Total Revenues	\$ 70,578,700	\$ 71,438,360	\$ 71,984,997	\$ 546,637
<u>Expenditures:</u>				
Current:				
Regular instruction	\$ 39,956,310	\$ 40,372,470	\$ 40,326,854	\$ 45,616
Federal programs	1,298,450	2,124,160	1,986,364	137,796
Special education	10,766,490	12,162,859	12,381,141	(218,282)
Vocational education	1,686,910	1,684,709	1,656,555	28,154
School administration	3,593,480	3,613,090	3,750,635	(137,545)
General administration	2,184,810	2,196,950	1,952,506	244,444
Operations and maintenance	4,917,970	4,930,630	4,833,153	97,477
Student transportation	2,038,250	2,045,947	2,279,164	(233,217)
Co-curricular activities	169,850	170,495	232,538	(62,043)
Other programs and services	287,370	286,910	281,368	5,542
Capital Outlay	850,480	852,240	438,440	413,800
Debt Service:				
Principal	-	-	402,617	(402,617)
Interest	-	-	44,361	(44,361)
Total Expenditures	\$ 67,750,370	\$ 70,440,460	\$ 70,565,696	\$ (125,236)
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,828,330	\$ 997,900	\$ 1,419,301	\$ 421,401
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 48,500	\$ 48,500
Transfers out	-	-	(1,083,785)	(1,083,785)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (1,035,285)	\$ (1,035,285)
Net Changes in Fund Balances	\$ 2,828,330	\$ 997,900	\$ 384,016	\$ (613,884)
Fund Balance - July 1	\$ 12,328,601	\$ 12,328,601	\$ 12,328,601	-
Fund Balance - June 30	\$ 15,156,931	\$ 13,326,501	\$ 12,712,617	\$ (613,884)

The accompanying required supplementary information notes are an integral part of this schedule.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
SPECIAL RESERVE FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local sources	\$ 514,270	\$ 513,990	\$ 530,953	\$ 16,963
Other sources	9,000	9,000	7,972	(1,028)
Total Revenues	<u>\$ 523,270</u>	<u>\$ 522,990</u>	<u>\$ 538,925</u>	<u>\$ 15,935</u>
<u>Expenditures:</u>				
	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 523,270</u>	<u>\$ 522,990</u>	<u>\$ 538,925</u>	<u>\$ 15,935</u>
<u>Other Financing Sources (Uses):</u>				
Transfers out	<u>\$ (413,800)</u>	<u>\$ (413,800)</u>	<u>\$ -</u>	<u>\$ 413,800</u>
Net Changes in Fund Balances	<u>\$ 109,470</u>	<u>\$ 109,190</u>	<u>\$ 538,925</u>	<u>\$ 429,735</u>
Fund Balance - July 1	<u>\$ 1,701,299</u>	<u>\$ 1,701,299</u>	<u>\$ 1,701,299</u>	<u>\$ -</u>
Fund Balance - June 30	<u>\$ 1,810,769</u>	<u>\$ 1,810,489</u>	<u>\$ 2,240,224</u>	<u>\$ 429,735</u>

The accompanying required supplementary information notes are an integral part of this schedule.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

- The annual budget must be prepared and school district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by October tenth.
- 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.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Food Service Fund	Co-Curricular	Building Authority	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and investments	\$ 1,065,241	\$ -	\$ 76,176	\$ 1,141,417
Other asset	303	-	-	303
Total Assets	\$ 1,065,544	\$ -	\$ 76,176	\$ 1,141,720
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
<u>Fund Balances:</u>				
<u>Restricted for:</u>				
Food service	\$ 1,065,544	\$ -	\$ -	\$ 1,065,544
<u>Committed to:</u>				
Debt service & maintenance	-	-	76,176	76,176
Total Fund Balances	\$ 1,065,544	\$ -	\$ 76,176	\$ 1,141,720
Total Liabilities and Fund Balances	\$ 1,065,544	\$ -	\$ 76,176	\$ 1,141,720

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Food Service Fund	Co-Curricular	Building Authority	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Local sources	\$ 2,253,720	\$ 202,665	\$ -	\$ 2,456,385
State sources	41,749	-	-	41,749
Federal sources	1,672,700	-	-	1,672,700
Other sources	19,019	-	581,678	600,697
Total Revenues	\$ 3,987,188	\$ 202,665	\$ 581,678	\$ 4,771,531
<u>Expenditures:</u>				
Current:				
School food services	\$ 3,688,772	\$ -	\$ -	\$ 3,688,772
Co-curricular	-	1,286,450	-	1,286,450
Other	-	-	288,193	288,193
Debt Service:				
Principal	-	-	210,000	210,000
Interest	-	-	56,565	56,565
Fiscal charges & fees	-	-	1,800	1,800
Total Expenditures	\$ 3,688,772	\$ 1,286,450	\$ 556,558	\$ 5,531,780
Excess (Deficiency) of Revenues Over Expenditures	\$ 298,416	\$ (1,083,785)	\$ 25,120	\$ (760,249)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ 1,083,785	\$ -	\$ 1,083,785
Transfers out	(48,500)	-	-	(48,500)
Total Other Financing Sources and Uses	\$ (48,500)	\$ 1,083,785	\$ -	\$ 1,035,285
Net Change in Fund Balances	\$ 249,916	\$ -	\$ 25,120	\$ 275,036
Fund Balances - July 1	\$ 815,628	\$ -	\$ 51,056	\$ 866,684
Fund Balances - June 30	\$ 1,065,544	\$ -	\$ 76,176	\$ 1,141,720

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number		Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
National School Lunch Program, Recovery	10.555	***	\$ 1,023,927
National School Lunch Program, Commodities	10.555	**	153,939
School Breakfast Program	10.553		254,483
Special Milk Program for Children	10.556		1,456
Child Nutrition Cluster			<u>\$ 1,433,805</u>
Fresh Fruit and Vegetable Program	10.582		\$ 157,806
Team Nutrition Grants	10.574		<u>1,000</u>
Total U.S. Department of Agriculture			<u>\$ 1,592,611</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
Adult Education - Basic Grants to States	84.002		\$ 35,500
Title I Grants to Local Education Agencies	84.010	***	1,471,993
Title I Grants to Local Education Agencies, Recovery Act	84.389A	***	228,138
Total Title I Cluster			<u>\$ 1,700,131</u>
Special Education-Grants to States	84.027	***	\$ 1,487,183
Special Education-Preschool Grants	84.173		37,167
Total Special Education Cluster			<u>\$ 1,524,350</u>
School Improvement Grant, Recovery Act	84.388A		\$ 110,838
Education Jobs Fund	84.410		21,800
English Language Acquisition Grants	84.365A		119,581
Improving Teacher Quality State Grants	84.367A	***	313,540
Total Passed through the State Department of Public Instruction			<u>\$ 2,090,109</u>
<u>Passed through the State Board of Vocational Education:</u>			
Career and Technical Education -- Basic Grants to States	84.048A		<u>\$ 86,544</u>
Total U.S. Department of Education			<u>\$ 3,912,284</u>
<u>U.S. DEPARTMENT OF HUMAN SERVICES:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		\$ 1,000
Refugee and Entrant Assistance-Discretionary Grants	93.576		<u>98,602</u>
Total U.S. Department of Human Services			<u>\$ 99,602</u>
Total Expenditures of Federal Awards			<u>\$ 5,604,497</u>

** - noncash assistance

*** - major program

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of West Fargo Public School District No. 6 under programs of the federal government for the year ended June 30, 2012. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of West Fargo Public School District No. 6, it is not intended to and does not present the financial position or changes in net assets of West Fargo Public School District No. 6.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

STATE AUDITOR

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

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

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

Governing Board
West Fargo Public School District No. 6
Fargo, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Public School District No. 6, North Dakota, as of and for the year ended June 30, 2012, which collectively comprise the West Fargo Public School District No. 6's basic financial statements and have issued our report thereon dated December 12, 2012. 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.

Internal Control Over Financial Reporting

Management of the West Fargo Public School District No. 6 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the West Fargo Public School District No. 6's internal control over financial reporting as a basis for designing our auditing procedures 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 West Fargo Public School District No. 6's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Fargo Public School District No. 6's internal control over financial reporting.

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 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.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Fargo Public School District No. 6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the school board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Bob Peterson". The signature is fluid and cursive, with a large initial "B" and "P".

Robert R. Peterson
State Auditor

December 12, 2012

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



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

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

Independent Auditor's Report

School Board
West Fargo Public School District No. 6
West Fargo, North Dakota

Compliance

We have audited the West Fargo Public School District No. 6's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the West Fargo Public School District No. 6's major federal programs for the year ended June 30, 2012. The West Fargo Public School District No. 6's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the West Fargo Public School District No. 6's management. Our responsibility is to express an opinion on the West Fargo Public School District No. 6's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the West Fargo Public School District No. 6'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. Our audit does not provide a legal determination of the West Fargo Public School District No. 6's compliance with those requirements.

In our opinion, the West Fargo Public School District No. 6 complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the West Fargo Public School District No. 6 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the West Fargo Public School District No. 6's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the West Fargo Public School District No. 6'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the school board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

December 12, 2012

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unqualified
Major Funds	Unqualified
Aggregate Remaining Funds	Unqualified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiencies identified?	_____ Yes	_____ <u>X</u> No	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported	

Type of auditor's report issued on compliance for major programs:

Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

_____ Yes _____ X No

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
10.553, 10.555, 10.556	Child Nutrition Cluster
84.010, 84.389, 84.002	Title I Cluster
84.027, 84.173, 84.391, 84.392	Special Education Cluster
84.388	School Improvement Grants, Recovery Act

Dollar threshold used to distinguish between Type A and B programs:

\$300,000

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.