

OFFICE OF STATE AUDITOR

AUDIT REPORT

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

FOR THE YEAR ENDED JUNE 30, 2013



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, 2013

Kay Keifer
Patti Stedman
Karen Nitzkowski
Angela Korsmo
Dave Olson
Judy Kvaale
Jeff Shirley

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
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
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Public School District No. 6, North Dakota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Public School District No. 6, North Dakota, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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 basic financial statements. The *combining balance sheet – nonmajor governmental funds, the combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the West Fargo Public School District No. 6's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
November 27, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

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, 2013. 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 2012-2013 are as follows:

- Change in Net Position of West Fargo Public School District increased \$2,806,815 (4.45%) as a result of the current year's operations.
- The assets of West Fargo Public School District exceeded liabilities by \$65,874,095 (net position). Of this amount, \$15,589,642 (unrestricted net position) may be used to meet the District's ongoing obligations.
- Current assets decreased \$31,827,291 (-35.77%) for the year ended June 30, 2013, while capital assets net of accumulated depreciation increased by \$31,964,594 (30.63%).
- West Fargo Public School District's current liabilities (those due within one year) increased \$1,775,537 (11.34%) for the year ended June 30, 2013. Long-Term Liabilities decreased \$4,575,664 (-3.96%).
- Total revenues from all sources were \$98,431,049 on the government-wide statement of activities and \$98,548,809 on the modified accrual basis.
- Total expenses were \$95,624,234 on the government-wide statement of activities and total expenditures were \$132,057,596 on the modified accrual basis. The difference primarily represents the repayment of debt principal, which is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position 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 \$80,132,405 in total revenues and \$77,667,111 in total expenditures. There was a total of \$51,000 transferred into the general fund and \$1,172,163 transferred out of the general fund. Overall, the general fund balance increased by \$1,363,417 going from \$12,712,617 to \$14,076,034 for the year ended June 30, 2013.
- At the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$44,891,328, a decrease of \$33,489,501 (-42.73%) from the year ended June 30, 2012. \$13,304,721 (29.64%) 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 Position 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 Position 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, 2013?"

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

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position 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 position and changes in net position. The change in net position 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 Position 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, 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, special reserve, 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 22-38 of the report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I provides a summary of the School District's net position as of June 30, 2013 and June 30, 2012.

As indicated in the financial highlights, current assets decreased \$31,827,291 (-35.77%) for the year ended June 30, 2013, while capital assets net of accumulated depreciation increased by \$31,964,594 (30.63%).

Current assets decreased \$31,827,291 (-35.77%) mostly due to the capital outlay for the building projects that we have in progress, which was offset by the excess of revenues over expenditures in the general fund.

The District's net position of \$65,874,095 is segregated into three separate categories. The largest portion of the School's net position totaling \$26,254,453 (39.86%) 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 this category can be attributed to the bond indentures for the High School, Middle School and Elementary School building projects.

Net Investment in Capital Assets reflects a balance of \$24,030,000 (36.48%). This balance reflects West Fargo School's investment in capital assets (e.g., land, buildings, vehicles, equipment, improvements and construction in progress); less any related debt used to acquire those assets that are still outstanding. 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 position totaling \$15,589,642 (23.67%) are available to meet the District's ongoing obligations.

TABLE I
NET POSITION
 June 30, 2013 and 2012

	2013	2012
Assets:		
Current Assets	\$ 57,138,783	\$ 88,966,074
Non-Current Assets (bond discount)	873,531	1,055,061
Capital Assets (net of accumulated depreciation)	136,311,412	104,346,818
Total Assets	\$194,323,726	\$194,367,953
Liabilities:		
Current Liabilities	\$ 17,433,196	\$ 15,657,659
Long Term Liabilities	111,004,870	115,580,534
Deferred Inflows of Resources	11,565	892
Total Liabilities and Deferred Resources	\$128,449,631	\$131,239,085
Total Liabilities	\$128,438,066	\$131,238,193
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 24,030,000	\$(16,338,349)
Restricted – Capital Project	22,496,377	57,890,859
Restricted – Special Purposes	3,758,076	3,331,973
Restricted – Debt Service	-	870,279
Unrestricted	15,589,642	17,374,106
Total Net Position	\$ 65,874,095	\$ 63,128,868

Table II shows the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

TABLE II
CHANGES IN NET POSITION
 As of June 30, 2013 and 2012

Revenues	2013	2012
Program Revenues:		
Charges for Services	\$ 3,421,399	\$ 3,146,943
Operating Grants & Contributions	7,955,957	5,629,336
Capital Grants & Contributions	535,751	-
General Revenues:		
Property Taxes	35,268,108	33,718,270
State Aid - Unrestricted	35,341,549	30,974,361
Mill Levy Reduction	13,411,687	12,781,064
Other Unrestricted Aid	1,042,013	1,439,180
Interest Earnings	472,859	489,614
Miscellaneous & Other Revenue	981,726	904,397
Total Revenues	\$98,431,049	\$89,083,165
Expenses		
Regular Instruction	\$43,644,655	\$40,187,494
Federal Programs	2,000,389	1,980,386
Special Education	14,253,074	12,355,203
Vocational Education	1,698,844	1,654,260
School Administration	4,085,067	3,739,845
General Administration	2,363,428	1,185,051
Operations and Maintenance	13,653,363	11,645,185
School Food Services	4,388,816	3,159,839
Student Transportation	2,562,081	1,695,681
Co-Curricular Activities	1,747,440	268,247
Other Programs & Services	624,374	567,619
Interest and Service Charges	4,602,703	3,665,668
Total Expenses	\$95,624,234	\$82,104,478
Net Change in Net Position	\$ 2,806,815	\$ 6,978,687
Net Position - July 1	\$63,128,869	\$56,150,182
Prior Period Adjustment	(61,588)	-
Net Position - June 30	\$65,874,096	\$63,128,869

Property taxes constituted 35.83%, unrestricted state aid 35.90%, mill levy reduction 13.63%, operating grants and contributions 8.08%, charges for services 3.48%, capital grants and contributions .54%, other unrestricted aid 1.06%, interest earnings .48%, and miscellaneous revenues made up the remaining 1.54% of the total revenues of governmental activities of the District for fiscal year-end June 2013. Operating grants and contributions increased \$2,326,621 (41.33%) and per pupil state aid increased \$4,367,188 (14.10%). Property taxes increased \$1,549,838 (4.6%) due to an increase in tax base and taxable valuation. The mill levy reduction also increased \$630,623 (4.93%).

Regular instruction constituted 45.64%, federal program 2.09%, special education 14.91%, vocational education 1.78%, school administration 4.27%, general administration 2.47%, operation & maintenance of plant 14.28%, food service 4.59%, student transportation 2.68%, co-curricular activities 1.83%, other programs and services .65%, and interest & fiscal charges 4.81% of total expenses for governmental activities during fiscal year 2012-2013.

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

Significant expense 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, 2013 and 2012

	Total Cost For Year Ended June 30, 2013	Net Cost For Year Ended June 30, 2013	Total Cost For Year Ended June 30, 2012	Net Cost For Year Ended June 30, 2012
Regular Instruction	\$43,644,655	\$43,258,779	\$40,187,494	\$39,828,395
Federal Programs	2,000,389	523,126	1,980,386	447,318
Special Education	14,253,074	12,191,854	12,355,203	10,604,806
Vocational Education	1,698,844	1,594,385	1,654,260	1,654,260
School Administration	4,085,067	4,085,067	3,739,845	3,739,845
General Administration	2,363,428	2,363,428	1,185,051	1,185,051
Operations and Maintenance	13,653,363	13,117,612	11,645,185	11,645,185
School Food Services	4,388,816	79,836	3,159,839	808,330
Student Transportation	2,562,081	1,649,583	1,695,681	1,695,681
Co-Curricular Activities	1,747,440	1,550,332	268,247	65,582
Other Programs & Services	624,374	(259,327)	567,619	567,619
Interest and Service Charges	4,602,703	4,602,703	3,665,668	3,665,668
Total Expenses	\$95,624,234	\$83,711,126	\$82,104,479	\$73,328,199

Total costs of services increased \$13,519,755 (16.47%) as explained above and total net costs of services increased \$10,382,927 (14.16%).

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 \$98,548,809 and expenditures of \$132,057,596 for the year ended June 30, 2013 and total revenue of \$89,343,088 and expenditures of \$109,417,916 for the year ended June 30, 2012. An increase of \$9,205,721 (10.3%) in governmental fund revenues was due to increases in state and local revenues. An overall increase of \$22,639,680 (20.69%) was noted in expenditures from the year ended June 30, 2012 to the year ended June 30, 2013 was largely due to an increase in capital outlays and also increases in salaries.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2012-2013, the West Fargo School Board amended the District's general fund budget. The approved general fund revenue budget was \$75,609,740. The final revenue budget was \$79,302,660 which is an increase of \$3,692,920 (4.66%). Total revenues collected were \$80,132,405 and included a transfer in of \$51,000. The revenue budget variance was \$829,745 or 1.05%.

The approved general fund expenditure budget was \$76,385,220. The final expenditure budget was \$78,332,520 which is an increase of \$1,947,300 (2.49%). A significant portion of the increase in expenditure budget was due to hiring additional staff for the school year. The expenditure budget variance was \$684,395 or .87%.

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 39 of this report.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2013, the West Fargo Public School District had \$136,311,412 invested in capital assets. Table IV shows the balances as June 30, 2013 and June 30, 2012.

TABLE IV
CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 June 30, 2013 and 2012

	2013	2012
Land	\$ 6,871,063	\$ 6,511,063
Construction in Progress	38,970,695	15,673,364
Buildings	84,765,437	76,886,327
Parking Lots	89,758	128,776
Vehicles	1,877,316	1,831,667
Equipment	731,287	885,664
Land Improvements	3,005,856	2,429,957
Total Capital Assets (net of accumulated depreciation)	\$136,311,412	\$104,346,818

This total represents a net increase of \$31,964,594 (30.63%) in capital assets from July 1, 2012. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 9 on page 31 to the audited financial statements that follow this analysis.

DEBT ADMINISTRATION

As of June 30, 2013, the West Fargo Public School District had \$116,792,437 in outstanding long-term debt, of that \$8,603,697 was due within one year. Total debt outstanding as of June 30, 2012 was \$121,380,418. The net decrease of \$4,587,981 (-3.78%) was attributable to the scheduled debt retirement on outstanding debt,

TABLE V
OUTSTANDING GENERAL OBLIGATION DEBT
 June 30, 2013 and 2012

	Total Outstanding June 30, 2013	Due Within July 1, 2013 - June 30, 2014	Total Outstanding June 30, 2012	Due Within July 1, 2012 - June 30, 2013
Bond Issue BB-Refinanced	\$ 14,310,000	\$3,285,000	\$17,270,000	\$2,960,000
Bond Issue CC	1,186,721	126,671	1,312,138	125,417
Building Fund Rev. Bonds	965,000	225,000	1,185,000	220,000
Bond Issue DD	-	-	400,000	400,000
Bond Issue EE	16,620,000	1,520,000	17,990,000	1,370,000
Bond Issue FF	1,559,259	122,946	1,680,988	121,728
Bond Issue GG	3,540,000	450,000	3,975,000	435,000
Bond Issue HH	5,000,000	-	5,000,000	-
State School Constr. 2011	3,666,509	171,689	3,834,881	168,372
Bond Issue II – 2011	63,165,000	2,065,000	65,345,000	2,180,000
Total Bonds	\$110,012,489	\$7,966,306	\$117,993,007	\$7,980,517
Special Assessments	6,220,809	342,327	2,465,032	174,072
Contract for Deed Payable	-	-	394,098	394,098
Leases Payable	133,772	39,844	151,890	34,043
Comp. Absences Payable	425,367	255,220	376,391	225,835
Total Debt	\$116,792,437	\$8,603,697	\$121,380,418	\$8,808,565

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 Note 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, 2013 is \$14,076,034 and total expenditures were \$77,667,111. The carry over percentage is 18.1% (\$14,076,034 divided by \$77,667,111). The percentage decreased slightly from the previous year of 18.7%. The goal of the school district is to maintain an ending fund balance percent between 10-14 percent.

Work continues on the building construction projects that were authorized by the bond referendum of May 24, 2011. The Liberty Middle School project was substantially completed in August, 2013, and the academic addition to the Sheyenne High School was completed. Construction has begun on the Independence Elementary School and the School Board has plans in motion to bid another elementary school with a construction start in May, 2014.

Due to the rapid growth in our enrollment, which is exceeding the demographic projections and forecasts, the school district is once again engaging the public in a Long Range Facility Advisory Task Force. This task force will be charged with determining a course of action to plan for the continually increasing student population and the impact that has on academic and co-curricular spaces.

The current capacity of our K-5 elementary buildings is 4,700 students, compared to our K-5 enrollment of 4,400. The current capacity of our 6-8 middle schools is 2,700 students, compared to our 6-8 enrollment of 1,849. The current capacity of our 9-12 high schools is 3,160, compared to our 9-12 enrollment of 2,210. The district has space for grades 6-12 for the near future, and has plans in place to increase the capacity for grades K-5. However, with high school classes under 600 per grade and elementary classes over 800 per grade, it is only a matter of time before the impacts of these larger classes will be felt in the middle and high schools.

The school district's enrollment increased by 495 students from 8,056 to 8,551. This represents an increase of 6.14% over the prior year. Under the Rapid Enrollment Grant program administered by the State of North Dakota, the district will qualify for additional funding for a portion of this growth. However, due to the computations involved with this program, the State will recognize our growth at approximately 4.8%, and will only fund 2.8% since the first 2.0% of growth is excluded.

The following chart shows the effect of the increases in enrollment that were forecast by McKibben Demographics in October, 2012:

2013-2014 Actual (9/30/12)	2014-2015 Projected	2015-2016 Projected	2016-2017 Projected	2017-2018 Projected	2018-2019 Projected
8,551	8,996	9,428	9,846	10,208	10,562

The district's most recent internal projections have forecast the following enrollment trends. These were computed as of October, 2013:

2013-2014 Actual (9/30/12)	2014-2015 Projected	2015-2016 Projected	2016-2017 Projected	2017-2018 Projected	2018-2019 Projected
8,551	9,035	9,489	10,020	10,555	11,128

The operational costs associated with opening new schools continue to be the main driver of our expenditure budget and is resulting in an annual deficit for the current year and the succeeding year. While the changes to the State Funding Formula adopted by the 2013 Legislature were positive for the school district, we continue to be paid for the number of students from the previous school year. That means that we need to fund for the increased enrollment and the new schools without the benefit of an associated increase in State Aid. Our School Board and administration continue to make our case with the Governor, Superintendent of Public Instruction and Legislators that the formula should make accommodations for districts that are experiencing growth from year to year.

The school district is levying the maximum 60.00 mills allowed by statute for general fund purposes. In addition, the district is levying 51.74 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 Special Assessments, 4.10 mills for high school tuition and 11.36 mills for other purposes. The total overall mill levy of the district is 142.20 mills for 2013-2014, which is a reduction of 50 mills over the prior year. This represents the most recent mill levy reduction program adopted by the 2013 Legislature.

The original General Fund budget includes estimated revenues of \$89,188,340 and appropriated expenditures of \$87,294,770, which represents a surplus of \$1,293,570. However, this original budget was adopted prior to the approval of the salary and benefit changes for all staff, which totaled \$2,281,419. Factoring in only those changes to the budget would result in an annual operating deficit of \$987,849.00. With the opening of the new schools and the challenges of additional students who are funded a year in arrears, the school district will continue to struggle for the next few years to balance its budget. The General Fund Reserve Balance currently exceeds the district's preferred range of 10.0% to 14.0%, so deficits in the short term are acceptable. However, for the long-term, the School Board and administration recognize the need to work towards a balanced budget. It is essential that the ending fund balance be maintained at a level that will not jeopardize the overall financial health of the district. Management recognizes the importance of a healthy reserve and is committed to the viability and wellbeing of the school district's finances.

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 POSITION
June 30, 2013

	Governmental Activities
<u>ASSETS</u>	
Cash and Investments	\$ 48,246,512
ISF Cash and Investments	4,971,468
Accounts Receivable	83,723
Intergovernmental Receivable	1,688,349
Due from County Treasurer	214,920
Inventory	3,096
Prepaid Expenses	4,134
Taxes Receivable	1,913,715
Other Asset	12,866
Unamortized Bond Discount	873,531
Capital Assets (not being depreciated)	
Land	6,871,063
Construction in Progress	38,970,695
Capital Assets (net of accumulated depreciation):	
Buildings	84,765,437
Equipment	731,287
Vehicles	1,877,316
Parking Lots	89,758
Land Improvements	3,005,856
Total Capital Assets	\$ 136,311,412
Total Assets	\$ 194,323,726
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 5,132,947
ISF Accounts Payable	1,045
Sales Tax Payable	6,893
Benefits Payable	210,867
Retainage Payable	2,196,724
Incurred but not reported claims	711,000
Interest Payable	377,471
Long-Term Liabilities:	
Due Within One Year:	
G.O / Lease Revenue Bonds Payable	7,966,306
Leases Payable	39,844
Special Assessments Payable	342,327
Bond Premium-Unamortized	192,552
Compensated Absences	255,220
Due After One Year:	
G.O / Lease Revenue Bonds Payable	102,046,183
Leases Payable	93,928
Special Assessments Payable	5,878,482
Bond Premium-Unamortized	2,816,130
Compensated Absences Payable	170,147
Total Liabilities	\$ 128,438,066
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Revenue Received in Advance	\$ 11,565
Total Liabilities and Deferred Inflows of Resources	\$ 128,449,631
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 24,030,000
Restricted for:	
Special Purposes	3,758,076
Capital Projects	22,496,377
Unrestricted	15,589,642
Total Net Position	\$ 65,874,095

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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Regular Instruction	\$ 43,644,654	\$ 385,875	\$ -	\$ -	\$ (43,258,779)
Federal Programs	2,000,389	-	2,523,515	-	523,126
Special Education	14,253,074	359,975	1,701,245	-	(12,191,854)
Vocational Education	1,698,844	-	104,459	-	(1,594,385)
School Administration	4,085,067	-	-	-	(4,085,067)
General Administration	2,363,428	-	-	-	(2,363,428)
Operations and Maintenance	13,653,363	-	-	535,751	(13,117,612)
Student Transportation	2,562,081	6,000	906,498	-	(1,649,583)
Co-curricular Activities	1,747,440	197,108	-	-	(1,550,332)
Other Programs and Services	624,374	67,685	816,016	-	259,327
School Food Services	4,388,816	2,404,756	1,904,224	-	(79,836)
Interest and Fees on Long-Term Debt	4,602,703	-	-	-	(4,602,703)
Total Governmental Activities	\$ 95,624,234	\$ 3,421,399	\$ 7,955,957	\$ 535,751	\$ (83,711,127)
General Revenues:					
Property taxes; levied for general purposes					\$ 20,615,012
Property taxes; levied for alternative programs & tuition					1,385,192
Property taxes; levied for technology & building purposes					923,561
Property taxes; levied for capital projects					555,281
Property taxes; levied for special reserve					1,848,157
Property taxes; levied for debt service					9,940,905
Grants and Contributions not restricted to specific programs:					
Per Pupil Foundation Aid					35,341,549
Mill Levy Reduction Aid					13,411,687
Other Grants and Contributions not restricted					1,042,013
Unrestricted Investment Earnings					472,859
Unrealized Gain/Loss					(55,242)
Rental Income					591,876
Miscellaneous Revenues					445,092
Total General Revenues					\$ 86,517,942
Change in Net Position					\$ 2,806,815
Net Position - July 1					\$ 63,128,868
Prior Period Adjustments					(61,588)
Net Position - July 1, as restated					\$ 63,067,280
Net Position - June 30					\$ 65,874,095

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, 2013

	General	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Investments	\$ 14,494,798	\$ 2,305,211	\$ 27,571,599	\$ 3,874,904	\$ 48,246,512
Accounts Receivable	83,081	-	-	642	83,723
Due from County Treasurer	137,556	73,993	-	3,371	214,920
Intergovernmental Receivable	1,688,349	-	-	-	1,688,349
Taxes Receivable	1,222,820	660,974	-	29,921	1,913,715
Prepaid Expense	4,134	-	-	-	4,134
Interfund Receivable	-	-	31,588	-	31,588
Inventories	3,096	-	-	-	3,096
Other Asset	-	-	12,866	-	12,866
Total Assets	\$ 17,633,834	\$ 3,040,178	\$ 27,616,053	\$ 3,908,838	\$ 52,198,903
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 2,075,427	\$ -	\$ 3,026,088	\$ 31,432	\$ 5,132,947
Sales tax Payable	6,893	-	-	-	6,893
Interfund Payable	31,588	-	-	-	31,588
Benefits Payable	210,867	-	-	-	210,867
Total Liabilities	\$ 2,324,775	\$ -	\$ 3,026,088	\$ 31,432	\$ 5,382,295
<u>Deferred Inflows of Resources:</u>					
Uncollected Taxes Receivable	\$ 1,222,820	\$ 660,974	\$ -	\$ 29,921	\$ 1,913,715
Revenue Received in Advance	10,205	-	-	1,360	11,565
Total Deferred Inflows of Resources	\$ 1,233,025	\$ 660,974	\$ -	\$ 31,281	\$ 1,925,280
Total Liabilities and Deferred Inflows of Resources	\$ 3,557,800	\$ 660,974	\$ 3,026,088	\$ 62,713	\$ 7,307,575
<u>Fund Balances:</u>					
<u>Non-Spendable:</u>					
Inventory	\$ 3,096	\$ -	\$ -	\$ -	\$ 3,096
Prepaid Items	4,134	-	-	-	4,134
<u>Restricted for:</u>					
Special Reserve Levy	-	-	-	2,803,252	2,803,252
Debt Service	-	2,379,204	-	-	2,379,204
Capital Projects	-	-	24,286,399	-	24,286,399
<u>Committed to:</u>					
Debt Service & Maintenance	-	-	-	103,136	103,136
Capital Projects	-	-	303,566	-	303,566
<u>Assigned to:</u>					
ARRA Education Jobs	734,623	-	-	-	734,623
Food Service	-	-	-	969,197	969,197
<u>Unassigned:</u>					
General	13,334,181	-	-	-	13,334,181
Negative Fund Balance	-	-	-	(29,460)	(29,460)
Total Fund Balances	\$ 14,076,034	\$ 2,379,204	\$ 24,589,965	\$ 3,846,125	\$ 44,891,328
Total Liabilities and Fund Balances	\$ 17,633,834	\$ 3,040,178	\$ 27,616,053	\$ 3,908,838	\$ 52,198,903

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 POSITION
June 30, 2013

Total *Fund Balances of Governmental Funds* \$ 44,891,328

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 169,767,403	
Less Accumulated Depreciation	<u>(33,455,991)</u>	
Net Capital Assets		136,311,412

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 position. Internal service fund net position is: 4,259,423

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. 1,913,715

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 rather is recognized as an expenditure when due. All liabilities- both current and long-term - are reported in the statement of net position. Balances at June 30, 2013 are made up of the following liabilities:

Bonds Payable	(110,012,489)	
Leases Payable	(133,772)	
Special Assessments Payable	(6,220,809)	
Interest Payable	(377,471)	
Bond Premium - Unamortized Balance	(3,008,682)	
Retainage Payable	(2,196,724)	
Bond Discount Costs- Unamortized Balance	873,531	
Compensated Absences	<u>(425,367)</u>	
Total Long-Term Liabilities		<u>(121,501,783)</u>

Total Net Position- Governmental Activities \$ 65,874,095

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, 2013

	General	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources	\$ 24,131,334	\$ 9,971,592	\$ 2,383,908	\$ 3,159,372	\$ 39,646,206
State Sources	51,622,221	-	-	172,303	51,794,524
Federal Sources	4,224,760	-	-	1,731,922	5,956,682
Other Sources	154,090	(46,066)	424,860	618,513	1,151,397
Total Revenues	\$ 80,132,405	\$ 9,925,526	\$ 2,808,768	\$ 5,682,110	\$ 98,548,809
Expenditures:					
Current:					
Regular Instruction	\$ 43,865,392	\$ -	\$ -	\$ -	\$ 43,865,392
Federal Programs	2,013,397	-	-	-	2,013,397
Special Education	14,317,105	-	-	-	14,317,105
Vocational Education	1,712,024	-	-	-	1,712,024
School Administration	4,107,454	-	-	-	4,107,454
General Administration	2,318,126	-	-	-	2,318,126
Operations and Maintenance	5,344,235	-	-	-	5,344,235
Student Transportation	2,555,899	-	-	-	2,555,899
Co-curricular Activities	197,536	-	-	1,398,731	1,596,267
Other Programs and Services	331,893	-	-	295,309	627,202
School Food Services	-	-	-	4,375,087	4,375,087
Capital Outlay	446,220	-	35,426,875	-	35,873,095
Debt Service:					
Principal	431,502	7,760,517	342,122	220,000	8,754,141
Interest	26,328	4,308,291	167,129	48,165	4,549,913
Fiscal Charges and Fees	-	6,928	39,531	1,800	48,259
Total Expenditures	\$ 77,667,111	\$ 12,075,736	\$ 35,975,657	\$ 6,339,092	\$ 132,057,596
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,465,294	\$ (2,150,210)	\$(33,166,889)	\$ (656,982)	\$ (33,508,787)
Other Financing Sources (Uses):					
Transfers In	\$ 51,000	\$ 1,600,023	\$ -	\$ 1,172,163	\$ 2,823,186
Lease Financing	19,286	-	-	-	19,286
Transfers Out	(1,172,163)	-	(1,600,023)	(51,000)	(2,823,186)
Total Other Financing Sources and Uses	\$ (1,101,877)	\$ 1,600,023	\$ (1,600,023)	\$ 1,121,163	\$ 19,286
Net Change in Fund Balances	\$ 1,363,417	\$ (550,187)	\$(34,766,912)	\$ 464,181	\$ (33,489,501)
Fund Balances - July 1	\$ 12,712,617	\$ 2,929,391	\$ 59,356,877	\$ 3,381,944	\$ 78,380,829
Fund Balances - June 30	\$ 14,076,034	\$ 2,379,204	\$ 24,589,965	\$ 3,846,125	\$ 44,891,328

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, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ (33,489,501)

The change in net position 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 capital outlays/additions exceeded depreciation in the current year.

Capital Asset Additions	\$ 34,900,930	
Current Year Depreciation Expense	<u>(2,874,748)</u>	32,026,182

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets.

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

Bonds Payable	\$ 7,980,517	
Leases Payable	37,405	
Special Assessments Payable	342,122	
Contract for Deed Payable	<u>394,097</u>	8,754,141

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

Capital Lease	\$ (19,286)	
Issuance of Special Assessments	<u>(4,097,899)</u>	(4,117,185)

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	
Discount Amortization	(48,530)	
Issuance Cost Amortization	<u>(133,000)</u>	11,022

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	\$ (48,976)	
Net Increase in Retainage Payable	(730,706)	
Net Increase in Interest Payable	<u>(15,553)</u>	(795,235)

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. (117,760)

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

535,151

Change in Net Position of Governmental Activities \$ 2,806,815

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 POSITION
PROPRIETARY FUND
June 30, 2013

	<u>Internal Service Fund</u>
<u>Assets:</u>	
<u>Current Assets:</u>	
Cash and Investments	<u>\$ 4,971,468</u>
<u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 1,045
Incurred but not reported claims	<u>711,000</u>
Total Current Liabilities	<u>\$ 712,045</u>
<u>Net Position:</u>	
Unrestricted	<u>\$ 4,259,423</u>
Total Net Position	<u><u>\$ 4,259,423</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 REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013

	<u>Internal Service Fund</u>
<u>Revenues:</u>	
<u>Operating Revenues:</u>	
Contributions to self-insurance	<u>\$ 10,225,423</u>
 <u>Expenses:</u>	
<u>Operating Expenses:</u>	
Insurance claims	<u>\$ 9,690,272</u>
 Operating Income	<u>\$ 535,151</u>
 Net Position - July 1	<u>\$ 3,724,272</u>
 Net Position - June 30	<u>\$ 4,259,423</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, 2013

	<u>Internal Service Fund</u>
<u>Cash Flows from Operating Activities:</u>	
Received from User Charges	\$ 10,225,423
Payments for Insurance Claims	<u>(9,580,227)</u>
Net Cash Provided by Operating Activities	<u>\$ 645,196</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 645,196</u>
Cash and Cash Equivalents - July 1	<u>\$ 4,326,272</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 4,971,468</u></u>
<u>Reconciliation of Operating Profit to Net Cash Used by Operating Activities:</u>	
Operating Profit	\$ 535,151
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>	
Increase in Accounts Payable	\$ 1,045
Increase in IBNR Claims Payable	<u>109,000</u>
Net Cash Provided by Operating Activities	<u><u>\$ 645,196</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, 2013

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	\$ 657,692
Accounts Receivable	<u>1,153</u>
Total Assets	<u>\$ 658,845</u>
<u>Liabilities:</u>	
Trust & Agency Consortium	\$ 22,512
Due to Student Activities Groups	<u>636,333</u>
Total Liabilities	<u>\$ 658,845</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, 2013

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 position 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.

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 is both restricted and unrestricted net position available to finance the program. It is the School District's policy to first apply cost-reimbursement grant resources to such programs, and then 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 position. 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 position. 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 Position

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 \$13,334,181 at June 30, 2013 represented 17.2% of FY2013 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.

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

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; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

Non-spendable fund balances:

Non-spendable fund balances consist of inventory (\$3,096) and prepaid items (\$4,134) reported in the general fund.

Restricted Fund Balances – consist of the following items at June 30, 2013:

Capital Projects Funds – restricted by enabling legislation & bond indenture) - \$24,286,399:

- (a) High School/Middle School/Elementary School – restricted by bond indenture for capital projects construction -- \$22,461,755;
- (b) Remodeling / HVAC levy fund balance – restricted by specified tax levy – \$107,386, (construction/capital projects);
- (c) Special assessments levy fund balance – restricted by specified tax levy – \$144,787, (debt service);
- (d) State School Construction fund balance – restricted by tax levy for debt service -- \$1,572,472;

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 (\$2,379,204);

Special Reserve fund (non-major fund) – restricted by specified tax levy (enabling legislation annual budget) – totaling \$2,803,252.

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.

Committed Fund Balances – consist of the following at June 30, 2013:

Committed fund balances are reported in the major capital projects fund and the building authority fund (blended component unit) totaling \$406,702 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 (\$2,053);
- (b) One-time supplemental grant fund balance – committed by the school board for capital projects (\$267,004)
- (c) QCSB project – committed by the school board for capital projects – (\$34,509);
- (d) Building Authority fund balance – amounts committed by the board for payment of debt service and maintenance (\$103,136).

Assigned Fund Balances – consist of the following at June 30, 2013:

Assigned fund balances are reported in the general fund and the food service fund totaling \$1,703,820 and consist of the following:

Assigned fund balance reported in the non-major funds consists of the amount reported in the food service fund totaling \$969,197.

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 and ending 2014-15, so that some of the special education ARRA positions may be continued (\$734,623).

Net Position:

The West Fargo Public School District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

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

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

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

Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position 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 2012-2013 year:

	REVENUES – TRANSFER IN		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u>			
General Fund	\$76,604,540	\$2,749,120	\$79,353,660
Special Reserve	552,710	4,390	557,100
Capital Projects Fund	2,561,180	238,810	2,799,990
Debt Service Fund	11,536,500	(120,220)	11,416,280

	EXPENDITURES – TRANSFER OUT		
	Original Budget	Amendments	Amended Budget
<u>Major Fund:</u>			
General Fund	\$77,628,530	\$1,947,300	\$79,575,830
Special Reserve	943,800	(943,800)	-
Capital Projects Fund	39,277,760	560,000	39,837,760
Food Service Fund	3,968,560	(4,070)	3,964,490

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, 2013, the school district's carrying amount of deposits was \$53,873,997 and the bank balances totaled \$55,782,590. Of the bank balances, \$14,976,376 was covered by Federal Depository Insurance and \$10,743,606 was invested in Federal Home Loan Bank and Federal National Mortgage Association, which are fully backed by the federal government. The remaining bank balances that required pledges totaling \$30,062,609 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.

As of June 30, 2013, the school district had certificates of deposit totaling \$18,122,666.

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 three 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: DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end by Cass County that remain on hand at the county that are distributed to the school district shortly after June 30, 2013.

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

NOTE 6: ACCOUNTS RECEIVABLE

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

NOTE 7: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 8: 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 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	Restated Balance 7-1-12	Increases	Decreases	Transfers	Balance 6-30-13
Primary Government:					
Governmental Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 6,511,063	\$ 360,000	\$ -	\$ -	\$ 6,871,063
Construction in Progress	15,673,364	34,190,054	-	(10,892,722)	38,970,695
Total Capital Assets Not Being Depreciated	\$ 22,184,427	\$34,550,054	\$ -	(10,892,722)	\$ 45,841,758
<i>Capital assets being depreciated:</i>					
Buildings	\$103,535,662	\$ -	\$ -	\$ 10,169,280	\$113,704,942
Vehicles	3,228,145	265,932	110,958	-	3,383,119
Equipment	2,302,170	26,555	-	-	2,328,725
Parking Lots	390,181	-	-	-	390,181
Land Improvements	3,336,846	58,390	-	723,442	4,118,678
Total Capital Assets, Being Depreciated	\$112,793,004	\$ 350,877	\$110,958	\$ 10,892,722	\$123,925,645
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 26,710,924	\$ 2,228,581	\$ -	\$ -	\$ 28,939,505
Vehicles	1,396,478	220,282	110,958	-	1,505,803
Equipment	1,416,506	180,932	-	-	1,597,438
Parking Lots	261,405	39,018	-	-	300,423
Land Improvements	906,888	205,934	-	-	1,112,822
Total Accumulated Depreciation	\$ 30,692,201	\$ 2,874,747	\$110,958	\$ -	\$ 33,455,991
Total Capital Assets Being Depreciated, Net	\$ 82,100,802	\$ (2,523,871)	\$ -	\$ 10,892,722	\$ 90,469,654
Governmental Activities Capital Assets, Net	\$104,285,228	\$32,026,183	\$ -	\$ -	\$136,311,412

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

Governmental Activities:	FY2013
Regular Instruction	\$ 72,259
Administration	59,406
Food Service	76,962
Operations and Maintenance	2,263,708
Transportation	240,926
Co-Curricular	161,486
Total Depreciation Expense-Governmental Activities	\$2,874,747

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

NOTE 10: 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.

NOTE 11: BENEFITS PAYABLE

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

NOTE 12: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended June 30, 2013, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:	Balance 7-1-12	Increases	Decreases	Balance 6-30-13	Due Within One Year
G.O. / Lease Revenue Bonds	\$117,993,007	\$ -	\$7,980,517	\$110,012,489	\$7,966,306
Special Assessments	2,465,032	4,097,899	342,122	6,220,809	342,327
Contract for Deed	394,098	-	394,098	-	-
Leases Payable	151,890	19,286	37,405	133,772	39,844
Bond Discount	(1,055,061)	-	(181,530)	(873,531)	(48,530)
Bond Premium	3,201,234	-	192,552	3,008,682	192,552
Compensated Absences *	376,391	48,976	-	425,367	255,220
Total Governmental Activities	\$123,526,591	\$4,166,161	\$8,765,163	\$118,927,589	\$8,747,719

* - 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, 2013 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%.	\$14,310,000
\$2,500,000 School Building Bonds 2002B, due in annual installments of \$125,417 to \$137,167 through June 2022; interest at 1.0%.	1,186,721
\$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%.	3,540,000
\$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%.	63,165,000
\$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%.	3,666,509
\$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%.	965,000

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

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

\$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%.	\$ 16,620,000
\$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%.	<u>1,559,259</u>
Total Bonds Payable	<u>\$110,012,489</u>

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 varying annual installments through 2037 with interest at 4.0% to 7.0%.	<u>\$ 6,220,809</u>
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Capital Leases Payable:

Copier Lease #1 – due in annual installments of \$6,605 to \$38,665 through August, 2016, interest at 4.25%.	\$ 117,848
Copier Lease #2 – due in annual installments of \$633 to \$3,703 through August, 2016, interest at 4.25%.	11,287
Postage Machine Lease – due in annual installments of \$329 to \$1,241 through September, 2017, interest at 9.9%.	<u>4,637</u>
Total Capital Leases Payable	<u>\$ 133,772</u>
Total Gross Long-Term Debt (excluding compensated absences)	<u>\$116,367,071</u>

Debt service requirements (excluding compensated absences) on long-term debt at June 30, 2013 are as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending June 30	Bonds Payable		Special Assmts. Payable		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 7,966,306	\$ 4,072,905	\$ 342,327	\$ 264,851	\$ 39,844	\$ 5,155
2015	8,052,184	3,791,602	342,542	249,763	41,627	3,373
2016	8,588,154	3,543,382	342,768	234,665	43,492	1,506
2017	8,349,218	3,245,773	343,004	219,556	8,479	139
2018	6,335,374	2,974,545	343,252	204,435	330	5
2019-2023	24,439,139	10,951,202	1,686,739	796,674	-	-
2024-2028	27,958,268	8,025,993	1,112,998	474,771	-	-
2029-2033	18,323,846	1,472,912	1,011,557	261,699	-	-
2034-2037	-	-	695,622	67,318	-	-
Totals	<u>\$110,012,489</u>	<u>\$38,078,314</u>	<u>\$6,220,809</u>	<u>\$2,773,732</u>	<u>\$133,772</u>	<u>\$10,178</u>

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

Year Ending June 30	Bond Premium/Discount	
	Premium	Discount
2014	\$ 192,552	\$ 48,530
2015	192,552	48,529
2016	192,552	48,530
2017	192,552	48,529
2018	192,552	48,530
2019-2023	839,185	242,647
2024-2028	756,039	242,648
2029-2032	450,698	145,586
Totals	\$3,008,682	\$873,531

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 13: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in 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 (\$1,913,715) and unearned revenue received in advance from a grant (\$11,565). Deferred inflows of resources on the statement of net position consist of unearned revenue received in advance from a grant (\$11,565).

NOTE 14: 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, 2013:

	Transfer In	Transfer Out
General	\$ 51,000	\$1,172,163
Capital Projects Fund- Fund 30	-	1,600,023
Debt Service Funds- Fund 40	1,600,023	-
Food Service- Fund 50	-	51,000
Co-Curricular- Fund 61	1,172,163	-
Total	\$2,823,186	\$2,823,186

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 15: 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 16: 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, 2013 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, 2012	\$602,000
Incurred Claims Including IBNR's and Changes in Estimates	109,000
Balance - June 30, 2013	<u>\$711,000</u>

NOTE 17: 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, Bismarck, North Dakota, 58507-7100.

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

Plan members are required to contribute 9.75% of their annual covered salary and the school district is required to contribute 10.75% 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 and employee's total contributions to TFFR for the fiscal years ending June 30, 2013, 2012 and 2011 were \$7,832,562, \$5,816,072, and \$5,523,580, 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 1657, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 6% of their annual salary. The school district is required to contribute 7.26% of the employee's salary which consists of 6.12% 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, 2013, 2012, and 2011 were \$1,275,067, \$973,550, and \$833,328, respectively, equal to the required contributions for the year.

NOTE 18: COMMITMENTS

The West Fargo Public School District No. 6 had the following commitments for construction contracts as of June 30, 2013.

Project	Contract Amount	Total Completed	Remaining Balance	Retainage	Total
Classroom Amplification	\$ 298,800	\$ 203,726	\$ 95,004	\$ 14,940	\$ 109,944
Berger Track	109,600	-	109,600	-	109,600
54 th Street Elementary	9,525,489	406,663	9,118,826	44,792	9,163,618
Liberty Middle School	26,475,052	21,646,951	4,828,401	1,292,129	6,120,230
Sheyenne Phase 1	11,088,352	9,732,845	1,355,507	607,180	1,962,687
Sheyenne Phase 2	10,940,450	698,305	10,242,145	76,308	10,318,453
Sheyenne Site Improvements	2,404,361	2,236,301	168,060	136,366	304,426
Osgood 2 – Classroom	446,155	225,081	221,074	25,009	246,083
Totals	\$61,288,259	\$35,149,942	\$26,138,317	\$2,196,724	\$28,335,041

NOTE 19: BUDGET TO ACTUAL RECONCILIATION

A capital lease was entered into for copiers and a postage machine 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:

General Fund	Combined Statement	Adjustment	Budget to Actual Statement
Expenditures	\$77,667,111	\$(19,286)	\$77,647,825
Lease Proceeds	19,286	(19,286)	-

NOTE 20: SUBSEQUENT EVENTS

- 1) On August 1, 2013, the school district received \$9,040,000.00 from a State School Construction loan for the purpose of constructing the Independence Elementary School, as authorized in the May 24, 2011 bond referendum. The interest rate on the loan is 1.0% and the loan will be repaid over 20 years, from June 1, 2014 through June 1, 2033. The total interest payable will be \$964,022.26.
- 2) On August 15, 2013, the school district sold \$2,260,000.00 in General Obligation School Building Bonds for the purpose of constructing the Independence Elementary School, as authorized in the May 24, 2011 bond referendum. The bonds will be repaid over 20 years, from May 1, 2014 through May 1, 2033. The total interest payable will be \$921,480.72.
- 3) On August 15, 2013, the school district sold \$16,045,000.00 in General Obligation School Building Refunding Bonds for the purpose of Advanced Refunding the General Obligation School Building Bonds, Series 2005. The bonds will be repaid over 7 years, from May 1, 2014 through May 1, 2020. The total interest payable will be \$2,838,098.89.
- 4) On November 11, 2013, the School Board adopted an initial resolution requesting a State School Construction loan for the purpose of constructing an elementary school on or near 52nd Ave. The loan has been authorized in the amount of \$9,400,000.00 and will close on April 1, 2014. The interest rate on the loan is 1.23% and the loan will be repaid over 20 years, from June 1, 2015 through June 1, 2034.
- 5) The Liberty Middle School was substantially completed as of August 16, 2013 in all areas except the music wing and the theater. Final completion of the entire project is anticipated by November 30, 2013. The anticipated final cost of this project, including architectural & engineering fees, construction, furniture and miscellaneous costs will be approximately \$29,000,000.00.
- 6) The academic addition to the Sheyenne High School was substantially completed as of August 16, 2013. The anticipated final cost of this project, including architectural & engineering fees, construction, furniture and miscellaneous costs will be approximately \$11,600,000.00.
- 7) The district also completed construction on a series of smaller projects that were underway as of June 30, 2013. These completed projects include a 2-classroom addition to the Osgood Kindergarten Center, lighting upgrades to the West Fargo High School, classroom amplification systems for the district's elementary schools, and the rehabilitation of the track at the LE Berger Elementary School.
- 8) The School Board authorized a Purchase Agreement in the amount of \$360,000.00 for 12 acres of property adjacent to 52nd Ave and 9th St W for an elementary school to be constructed in the Wilds subdivision. The purchase agreement has not been executed, as one of the requirements is that a plat be obtained from the City of West Fargo. However, it is assumed that this condition will be met shortly after the end of the calendar year 2013.
- 9) Salary and benefit adjustments were approved for our staff for the 2013-2014 and 2014-2015 fiscal years. The following table shows the impact of these changes:

Employee Classification	2013-2014 Total Compensation Increase	2014-2015 Total Compensation Increase
Teachers	3.06%	6.26%
Classified Staff	4.94%	4.92%
Administrators	3.05%	6.27%
Supt. & Asst. Supt.	2.89%	6.47%

In addition to these increases, the School Board has approved a change for Teachers and Classified Staff that will provide a payout at retirement for up to 40 days of unused sick leave at the rate of \$100.00 per day for staff who have 10 years of service with the school district and qualify for full retirement benefits from their respective pension plan.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements - Continued

- 10) The School Board approved a change to the Vision Insurance Plan for district staff on September 23, 2013 with an effective date of January 1, 2014. The change increases the benefit to allow an annual eye exam versus the current plan allowance, which was an exam once every two years for members over 19 years of age. This resulted in an increase in the suggested funding level of 17.7%, which will be funded from the reserve balance in the vision fund until such time as that reserve is reduced to the equivalent of 3 months of claims. As of June 30, 2013, the reserve balance was the equivalent of 21 months of claims.

NOTE 21: PRIOR PERIOD ADJUSTMENTS

The West Fargo Public School District required prior period adjustments to capital assets and accumulated depreciation in the Statement of Net Position due to updating the final amounts reported for the fitness addition and gym addition. Net adjustments decreased beginning net position by a total of \$61,588. The adjustments are included below:

Governmental Activities:	Amounts
Beginning Net Position, as previously reported	\$63,128,868
Adjustments to restate the July 1, 2012 Net Position:	
Capital Assets – Cost	(62,845)
Accumulated Depreciation	1,257
Net Position July 1, as restated	\$63,067,280

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 23,344,480	\$ 23,524,240	\$ 24,131,334	\$ 607,094
State Sources	48,574,820	51,111,600	51,622,221	510,621
Federal Sources	3,613,440	4,527,090	4,224,760	(302,330)
Other Sources	77,000	139,730	154,090	14,360
Total Revenues	\$ 75,609,740	\$ 79,302,660	\$ 80,132,405	\$ 829,745
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 43,678,180	\$ 44,613,150	\$ 43,865,392	\$ 747,758
Federal Programs	1,565,850	2,294,870	2,013,397	281,473
Special Education	13,683,000	13,932,960	14,317,105	(384,145)
Vocational Education	1,781,386	1,767,779	1,712,024	55,755
School Administration	3,930,560	3,938,460	4,107,454	(168,994)
General Administration	2,450,300	2,431,970	2,298,840	133,130
Operations and Maintenance	5,370,950	5,367,670	5,344,235	23,435
Student Transportation	2,580,305	2,579,702	2,555,899	23,803
Co-curricular Activities	169,969	169,929	197,536	(27,607)
Other Programs and Services	314,700	376,010	331,893	44,117
Capital Outlay	860,020	860,020	446,220	413,800
Debt Service:				
Principal	-	-	431,502	(431,502)
Interest	-	-	26,328	(26,328)
Total Expenditures	\$ 76,385,220	\$ 78,332,520	\$ 77,647,825	\$ 684,695
Excess (Deficiency) of Revenues Over Expenditures	\$ (775,480)	\$ 970,140	\$ 2,484,580	\$ 1,514,440
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ 943,800	\$ -	\$ 51,000	\$ 51,000
Transfers out	(1,243,310)	(1,243,310)	(1,172,163)	71,147
Total Other Financing Sources and Uses	\$ (299,510)	\$ (1,243,310)	\$ (1,121,163)	\$ 122,147
Net Changes in Fund Balances	\$ (1,074,990)	\$ (273,170)	\$ 1,363,417	\$ 1,636,587
Fund Balance - July 1	\$ 12,712,617	\$ 12,712,617	\$ 12,712,617	-
Fund Balance - June 30	\$ 11,637,627	\$ 12,439,447	\$ 14,076,034	\$ 1,636,587

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, 2013

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The school district 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, 2013

	Food Service	Special Reserve	Co-Curricular	Building Authority	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash and Investments	\$ 971,887	\$ 2,799,881	\$ -	\$ 103,136	\$ 3,874,904
Accounts Receivable	642	-	-	-	642
Due from County	-	3,371	-	-	3,371
Taxes Receivable	-	29,921	-	-	29,921
Total Assets	\$ 972,529	\$ 2,833,173	\$ -	\$ 103,136	\$ 3,908,838
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 1,972	\$ -	\$ 29,460	\$ -	\$ 31,432
<u>Deferred Inflows of Resources:</u>					
Uncollected Taxes Receivable	\$ -	\$ 29,921	\$ -	\$ -	\$ 29,921
Revenue Received in Advance	1,360	-	-	-	1,360
Total Deferred Inflows of Resources	\$ 1,360	\$ 29,921	\$ -	\$ -	\$ 31,281
Total Liabilities and Deferred Inflows of Resources	\$ 3,332	\$ 29,921	\$ 29,460	\$ -	\$ 62,713
<u>Fund Balances:</u>					
<u>Restricted for:</u>					
Special Reserve Levy	\$ -	\$ 2,803,252	\$ -	\$ -	\$ 2,803,252
<u>Committed to:</u>					
Debt Service & Maintenance	-	-	-	103,136	103,136
<u>Assigned to:</u>					
Food Service	969,197	-	-	-	969,197
<u>Unassigned</u>					
Negative Fund Balance	-	-	(29,460)	-	(29,460)
Total Fund Balances	\$ 969,197	\$ 2,803,252	\$ (29,460)	\$ 103,136	\$ 3,846,125
Total Liabilities and Fund Balances	\$ 972,529	\$ 2,833,173	\$ -	\$ 103,136	\$ 3,908,838

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, 2013

	Food Service Fund	Special Reserve	Co-Curricular	Building Authority	Total Nonmajor Governmental Funds
<u>Revenues:</u>					
Local Sources	\$ 2,404,757	\$ 557,507	\$ 197,108	\$ -	\$ 3,159,372
State Sources	172,303	-	-	-	172,303
Federal Sources	1,731,922	-	-	-	1,731,922
Other Sources	20,758	5,521	-	592,234	618,513
Total Revenues	\$ 4,329,740	\$ 563,028	\$ 197,108	\$ 592,234	\$ 5,682,110
<u>Expenditures:</u>					
Current:					
School Food Services	\$ 4,375,087	\$ -	\$ -	\$ -	\$ 4,375,087
Co-curricular	-	-	1,398,731	-	1,398,731
Other	-	-	-	295,309	295,309
Debt Service:					
Principal	-	-	-	220,000	220,000
Interest	-	-	-	48,165	48,165
Fiscal Charges and Fees	-	-	-	1,800	1,800
Total Expenditures	\$ 4,375,087	\$ -	\$ 1,398,731	\$ 565,274	\$ 6,339,092
Excess (Deficiency) of Revenues Over Expenditures	\$ (45,347)	\$ 563,028	\$(1,201,623)	\$ 26,960	\$ (656,982)
<u>Other Financing Sources (Uses):</u>					
Transfers in	\$ -	\$ -	\$ 1,172,163	\$ -	\$ 1,172,163
Transfers out	(51,000)	-	-	-	(51,000)
Total Other Financing Sources and Uses	\$ (51,000)	\$ -	\$ 1,172,163	\$ -	\$ 1,121,163
Net Change in Fund Balances	\$ (96,347)	\$ 563,028	\$ (29,460)	\$ 26,960	\$ 464,181
Fund Balances - July 1	\$ 1,065,544	\$ 2,240,224	\$ -	\$ 76,176	\$ 3,381,944
Fund Balances - June 30	\$ 969,197	\$ 2,803,252	\$ (29,460)	\$ 103,136	\$ 3,846,125

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number		Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
National School Lunch Program	10.555	***	\$ 1,297,444
National School Lunch Program, Commodities	10.555	**	126,127
School Breakfast Program	10.553		299,000
Special Milk Program for Children	10.556		1,461
Child Nutrition Cluster			<u>\$ 1,724,032</u>
Fresh Fruit and Vegetable Program	10.582		<u>\$ 115,783</u>
Total U.S. Department of Agriculture			<u>\$ 1,839,815</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		\$ 14,321
Title I Grants to Local Education Agencies	84.010	***	1,474,601
Special Education-Basic Grants to States	84.027	***	\$ 1,666,245
Special Education-Preschool Grants	84.173		35,000
Total Special Education Cluster			<u>\$ 1,701,245</u>
School Improvement Grant, Recovery Act	84.388A		\$ 66,515
Special Education - State Personnel Development	84.323		14,266
English Language Acquisition State Grants	84.365A		55,361
Improving Teacher Quality State Grants	84.367A	***	291,694
Total Passed through the State Department of Public Instruction			<u>\$ 2,129,081</u>
<u>Passed through the State Board of Vocational Education:</u>			
Career and Technical Education -- Basic Grants to States	84.048A		<u>\$ 127,911</u>
Total U.S. Department of Education			<u>\$ 3,745,914</u>
<u>U.S. DEPARTMENT OF HUMAN SERVICES:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
Refugee and Entrant Assistance-Discretionary Grants	93.576		<u>\$ 46,992</u>
Total Expenditures of Federal Awards			<u>\$ 5,632,721</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, 2013

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, 2013. 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 position 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

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

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Public School District No. 6, North Dakota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the West Fargo Public School District No. 6's basic financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West Fargo Public School District No. 6's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Fargo Public School District No. 6's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Fargo Public School District No. 6's internal control.

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

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

Compliance and Other Matters

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
November 27, 2013

STATE AUDITOR

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the West Fargo Public School District No. 6 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

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

Report on Internal Control Over Compliance

Management of the West Fargo Public School District No. 6 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the West Fargo Public School District No. 6's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the West Fargo Public School District No. 6 as of and for the year ended June 30, 2013, and have issued our report thereon dated November 27, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
November 27, 2013

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified? _____ Yes X None reported

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

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

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____ Yes X None reported

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

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X None reported

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.555 & 10.553 84.010	National School Lunch Program/School Breakfast Program (Child Nutrition Cluster)
84.027 & 84.173	Title I Grants to Local Education Agencies Special Education-Grants to State / Special Education-Preschool Grants (Special Education Cluster)

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.