



West Fargo Public School District No. 6

West Fargo, North Dakota

Audit Report

For the Year Ended June 30, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

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, 2017

Patti Stedman	Board President
Kara Gravley-Stack	Board Vice-President
Jon Erickson	Board Member
Andrea Payne	Board Member
Dan Schaefer	Board Member
Allan Skramstad	Board Member
Shauna Vistad	Board Member
Dr David Flowers	Superintendent
Beth Slette	Assistant Superintendent - Elementary
Dr. Allen Burgad	Assistant Superintendent - Secondary
Mark Lemer	Business Manager
Robin Hill	Human Resources Director
Sheri Nissen	Director of Accounting
Mari Bell	Special Education Director
Pete Diemert	Buildings & Grounds Director
Ed Mitchell	Technology Director
Brad Redmond	Transportation Director
Dana Rieth	Food Service Director



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

West Fargo Public School District No. 6
West 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information, pension schedules, and notes to the required supplementary information* on pages 4-12 and 48-53 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements.

The *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 30, 2017 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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 30, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017. 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 2016-2017 are as follows:

- The West Fargo Public School District's total net position decreased from the prior year by \$(2,655,069) as a result of the current year's operation.
- Total revenues from all sources were \$147,670,300 on the government-wide statement of activities and \$147,244,751 on the modified accrual basis.
- Total expenses were \$150,325,369 on the government-wide statement of activities and total expenditures were \$192,845,536 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.
- At the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$67,799,574, an increase of \$3,632,949 (5.66%) from the year ended June 30, 2016. Approximately 17.23% or \$11,685,202 is available for spending at the District's discretion (unreserved fund balances).
- The District's general fund had \$120,171,112 in total revenues and \$119,025,904 in total expenditures. There was a total of \$347,000 transferred into the general fund and \$2,456,758 transferred out of the general fund.
- Capital assets net of accumulated depreciation increased \$39,495,981 (21.32%) for the year ended June 30, 2017, while current assets increased by \$5,123,908 (6.77%).
- West Fargo Public School District's current liabilities (those due within one year) increased \$863,273 (4.74%) for the year ended June 30, 2017. Long-Term Liabilities increased \$64,202,174 (23.8%).

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, 2017?”

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 13-14 of this report.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

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

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

The basic governmental fund financial statements can be found on pages 15 and 17 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 19-21 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 22 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 23-47 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, 2017 and June 30, 2016.

As indicated in the financial highlights, current assets increased \$5,123,908 (6.77%) for the year ended June 30, 2017, while capital assets net of accumulated depreciation increased by \$39,495,981 (21.32%).

Current assets increased mostly due to the bond proceeds received during the year for the building projects that we have in progress, which were unspent as of year-end. Capital assets increased mainly as a result of Construction in Progress, which showed an increase of \$43,392,498 (733.54%) over the previous year. The projects that were in progress included, the Hulbert Aquatic Center, WF Sports Arena, Willow Park Elementary, Brooks Harbor Elementary, the Transportation facility and additions at Horace Elementary, Berger Elementary, Osgood Elementary and West Fargo High School.

The District's net position of \$-6,613,523 is segregated into three separate categories. The portion of the School's net position totaling \$27,684,157 reflects its net 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 Schools 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 Restricted Portion of West Fargo Schools Net Position reflects a balance of \$42,897,632. This balance reflects West Fargo School's 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 two Elementary school buildings, Hulbert Aquatic Center and the Hockey Arena building projects.

The unrestricted net position totaling \$-77,195,312 represents the remainder of our resources. The large negative unrestricted net position balance was solely due to the net pension liability, and related deferred inflows and outflows of resources. The pension obligations are long term obligations that are not likely to ever be liquidated from unrestricted net position, and are not obligated out of current resources to pay upcoming obligations. Not considering the effects of the pension items, the unrestricted net position would be \$18,485,751. That amount of unrestricted net position is available to actually meet the district's ongoing obligations. We believe that amount of unrestricted net position, not considering the effects of pension items, is sufficient to meet our ongoing obligations.

TABLE I
NET POSITION
June 30, 2017 and 2016

<u>Assets:</u>	2017	2016
Current Assets	\$ 80,807,457	\$ 75,683,549
Non-Current Assets (bond discount)	679,413	727,943
Capital Assets (net of accumulated depreciation)	224,717,768	185,221,787
Total Assets	\$306,204,638	\$261,633,279
<u>Deferred Outflows of Resources</u>		
Pension Items	\$ 41,627,940	24,565,963
Total Assets and Deferred Inflows of Resources	\$ 347,832,578	\$ 286,199,242
<u>Liabilities and Deferred Inflows of Resources</u>		
Current Liabilities	\$ 19,072,947	\$ 18,218,283
Long Term Liabilities	333,912,040	269,709,866
Total Liabilities	\$352,984,987	\$287,928,149
<u>Deferred Inflows of Resources</u>		
Pension Items	\$ 1,461,114	2,229,547
Total Liabilities and Deferred Inflows	\$354,446,101	\$290,157,696

TABLE CONTINUED...

TABLE I		
NET POSITION		
June 30, 2017 and 2016		
	2017	2016
<u>Net Position:</u>		
Invested in Capital Assets, Net of Related Debt	\$ 27,684,157	\$ 24,478,702
Restricted – Capital Project	38,343,781	39,025,318
Restricted – Special Purposes	4,553,851	4,033,271
Unrestricted	(77,195,312)	(71,495,745)
Total Net Position	<u>\$ (6,613,523)</u>	<u>\$ (3,958,454)</u>

Table II shows the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

TABLE II		
CHANGES IN NET POSITION		
As of June 30, 2017 and 2016		
Revenues		
<u>Program Revenues:</u>	2017	2016
Charges for Services	\$ 4,285,639	\$ 3,854,640
Operating Grants & Contributions	12,801,190	11,213,471
<u>General Revenues:</u>		
Property Taxes	41,160,530	36,545,719
State Aid - Unrestricted	86,309,246	79,624,080
Other Unrestricted Aid	943,800	1,148,160
Interest Earnings	401,689	195,489
Miscellaneous & Other Revenue	1,768,206	2,393,200
Total Revenues	<u>\$147,670,300</u>	<u>\$134,974,759</u>
Expenses		
Regular Instruction	\$ 72,012,463	\$ 62,882,994
Federal Programs	3,270,075	3,020,305
Special Education	24,214,511	20,901,091
Career & Tech Education	2,678,537	2,422,374
School Administration	6,535,620	6,031,000
General Administration	4,115,002	3,433,841
Operations and Maintenance	16,758,538	14,927,203
School Food Services	6,154,768	5,850,822
Student Transportation	3,814,356	3,162,015
Co-Curricular Activities	4,693,406	3,499,376
Other Programs & Services	1,182,125	1,148,581
Interest and Service Charges	4,895,968	3,254,379
Total Expenses	<u>\$150,325,369</u>	<u>\$130,533,981</u>
Net Change in Net Position	<u>\$ (2,655,069)</u>	<u>\$ 4,440,778</u>
Net Position - July 1	<u>\$ (3,958,454)</u>	<u>\$ (8,399,232)</u>
Net Position - June 30	<u>\$ (6,613,523)</u>	<u>\$ (3,958,454)</u>

Property taxes constituted 27.87%, unrestricted state aid 58.45%, operating grants and contributions 8.67%, charges for services 2.90%, other unrestricted aid .64%, interest earnings .27%, and miscellaneous revenues made up the remaining 1.20% of the total revenues of governmental activities of the District for fiscal year-end June 2017. Per Pupil State Aid increased \$6,685,166 (8.40%), while property taxes increased \$4,614,811 (12.63%). These increases were a result of our increasing student enrollment, the change in the funding formula and increases in property tax base and taxable valuation. Operating grants and contributions also increased by \$1,587,719 (14.16%).

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

Regular instruction constituted 47.90%, federal program 2.18%, special education 16.11%, career and tech education 1.78%, school administration 4.35%, general administration 2.74%, operation & maintenance of plant 11.15%, food service 4.09%, student transportation 2.54%, co-curricular activities 3.12%, other programs and services .79%, and interest & fiscal charges 3.26% of total expenses for governmental activities during fiscal year 2016-2017.

Significant expense increases were incurred by Regular Instruction \$9,129,469 (14.52%), Special Education \$3,313,420 (15.85%), Operations and Maintenance \$1,831,335 (12.27%), Co-Curricular Activities \$1,194,030 (34.12%), Student Transportation \$652,341 (20.63%), General Administration \$681,161 (19.84%), School Admin Services \$504,620 (8.37%), and Food Services \$303,946 (5.19%). The increase in expense for regular instruction, special education, school administration, student transportation and food service can be attributed to an increase in number of positions and related expenses due to student enrollment growth. The Co-curricular expenses increased due to more coaching positions and expenses resulting from the addition of varsity level sports at all grade levels at Sheyenne High School. Operations and Maintenance expenses have increased due to the increase in operating expenses with the addition of the new schools, and also maintaining our existing locations.

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

TABLE III
TOTAL AND NET COST OF SERVICES
As of June 30, 2017 and 2016

	Total Cost For Year Ended June 30, 2017	Net Cost For Year Ended June 30, 2017	Total Cost For Year Ended June 30, 2016	Net Cost For Year Ended June 30, 2016
Regular Instruction	\$ 72,012,463	\$ (71,140,026)	\$ 62,882,994	\$ (62,448,376)
Federal Programs	3,270,075	2,888,710	3,020,305	893,327
Special Education	24,214,511	(22,971,849)	20,901,091	(17,926,548)
Career & Tech Education	2,678,537	(2,193,120)	2,422,374	(1,871,852)
School Administration	6,535,620	(6,535,620)	6,031,000	(6,031,000)
General Administration	4,115,002	(4,115,002)	3,433,841	(3,433,841)
Operations and Maintenance	16,758,538	(16,758,538)	14,927,203	(14,927,203)
School Food Services	6,154,768	309,772)	5,850,822	(224,922)
Student Transportation	3,814,356	(2,654,528)	3,162,015	(2,019,838)
Co-Curricular Activities	4,693,406	(4,280,146)	3,499,376	(3,105,937)
Other Programs & Services	1,182,125	(1,144,196)	1,148,581	(1,115,301)
Interest and Service Charges	4,895,968	(4,643,947)	3,254,379	(3,254,379)
Total Expenses	\$150,325,369	\$(133,238,540)	\$130,533,981	\$(115,465,870)

Total costs of services increased \$19,791,388 (15.16%) as explained above and total net costs of services increased \$17,772,670 (15.39%).

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 \$147,244,751 and expenditures of \$192,845,365 for the year ended June 30, 2017 and total revenue of \$134,755,058 and expenditures of \$155,165,625 for the year ended June 30, 2016. An increase of \$12,489,693 (9.27%) in governmental fund revenues was due to increases in local, state and federal revenues. An overall increase of \$37,679,911 (24.28%) was noted in expenditures from the year ended June 30, 2016 to the year ended June 30, 2017. The increase was largely due to increases in capital outlays, increases in salaries and principal and interest payments on debt.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2016-2017, the West Fargo School Board amended the District's general fund budget. The approved general fund revenue budget was \$118,282,300. The final revenue budget was \$120,386,520 which is an increase of \$2,103,920 (1.78%). Total revenues collected were \$120,171,112 and included a transfer in of \$347,000. The revenue budget variance was \$-215,408 or (-.18%).

The approved general fund expenditure budget was \$117,499,550. The final expenditure budget was \$119,696,950 which is an increase of \$2,197,400 (1.87%). The expenditure budget variance was \$671,046 or .56%.

See also, budgetary comparison schedule for the general fund on page 48 of this report.

CAPITAL ASSETS ADMINISTRATION

As of June 30, 2017, the West Fargo Public School District had \$224,717,768 invested in capital assets. Table IV shows the balances as June 30, 2017 and June 30, 2016.

TABLE IV		
CAPITAL ASSETS		
(Net of Accumulated Depreciation)		
June 30, 2017 and 2016		
	2017	2016
Land	\$ 13,521,736	\$ 13,963,971
Construction in Progress	49,307,990	5,915,492
Buildings	151,662,987	154,879,461
Parking Lots	440,678	509,648
Vehicles	2,192,369	2,135,437
Equipment	1,366,426	1,252,532
Land Improvements	6,225,582	6,565,246
Total Capital Assets (net of accumulated depreciation)	<u>\$224,717,768</u>	<u>\$185,221,787</u>

This total represents a net increase of \$39,495,981 (21.32%) in capital assets from July 1, 2016. The majority of this increase can be attributed to a number of building and land improvement projects in process or completed. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 9 on page 32 to the audited financial statements that follow this analysis.

DEBT ADMINISTRATION / LONG-TERM LIABILITIES

As of June 30, 2017, the West Fargo Public School District had \$337,628,460 in outstanding long-term liabilities, of that \$9,929,840 was due within one year. Total long-term liabilities outstanding as of June 30, 2016 was \$277,109,320. The net increase of \$60,519,140 (21.84%) was attributable to the issuance of bonds (\$45,450,000) to be used in the construction of Willow Park Elementary, the Hulbert Aquatic Center, West Fargo Sports Arena, a Transportation facility and other various remodeling projects attributed to student enrollment. The remaining increase can be attributed to the GASB 68 requirement to report the increase in our net pension liability (\$23,809,373), and an increase in special assessments (\$2,337,131), which was offset by scheduled debt retirement on outstanding debt (\$11,135,356).

TABLE V
OUTSTANDING GENERAL OBLIGATION DEBT
June 30, 2017 and 2016

	Total Outstanding June 30, 2017	Due Within July 1, 2017 - June 30, 2018	Total Outstanding June 30, 2016	Due Within July 1, 2016 - June 30, 2017
Bond Issue BB-Refinanced	\$ -	\$ -	\$ 3,855,000	\$ 3,855,000
Bond Issue CC	672,386	131,814	802,895	130,509
Building Fund Rev. Bonds	-	-	260,000	260,000
Bond Issue FF	1,060,050	127,938	1,186,721	126,671
Bond Issue HH	5,000,000	-	5,000,000	-
State School Constr. 2011	2,959,191	185,623	3,141,228	182,037
Bond Issue II – 2011	55,685,000	2,180,000	57,670,000	1,985,000
Bond EE – 2013B Bonds	10,110,000	3,225,000	11,475,000	1,365,000
St Sch. Const. 2013 – KK	1,905,000	95,000	2,000,000	95,000
St Sch. Const. 2014 – LL	7,372,985	427,225	7,795,979	422,995
Bond MM	8,057,018	458,718	8,510,163	453,144
Bond NN	7,650,000	-	7,650,000	-
2015 Limited Tax-Bond GG	1,665,000	545,000	2,205,000	540,000
Bond OO	43,280,000	1,760,000	45,000,000	1,720,000
Bond PP	45,450,000	-	-	-
Total Bonds	\$190,866,630	\$9,136,318	\$156,551,986	\$11,135,356
Net Pension Liability	\$135,847,889	\$ -	\$112,038,516	\$ -
Special Assessments	10,378,990	472,419	8,041,859	382,605
Leases Payable	330	330	12,179	11,849
Comp. Absences Payable	534,621	320,773	464,780	278,868
Total LT Liabilities	\$377,628,460	\$9,929,840	\$277,109,320	\$11,808,678

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 13 to the audited financial statements on pages 33-35 of this report.

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

On November 17, 2015, the voters of the school district approved a referendum to support \$98,100,000 of school construction. As of June 30, 2017, a number of projects approved by this referendum were under construction, including the Brooks Harbor Elementary School, the Hulbert Aquatic Center, an addition to the Horace Elementary School, an addition/remodeling to West Fargo High School, an addition/remodeling to LE Berger Elementary School, the West Fargo Sports Arena, Willow Park Elementary School, the Transportation facility, and the addition/remodeling of Osgood Elementary.

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

For the 2017-2018 fiscal year, these projects will be completed and the school district will begin construction on an addition to Cheney Middle School, the central kitchen facility, and security upgrades. In addition, the School Board voted at their October 23, 2017 meeting to authorize the design and construction of an elementary school on an existing site adjacent to the Deer Creek subdivision.

The ongoing construction continues to place a strain on district resources. However, for the 2017-2018 budget, the administration was able to eliminate deficit spending that had been occurring for the past few years, open the new facilities, provide compensation increases to staff, and generally maintain programs and class sizes across the district. The initial budget adopted by the School Board on August 14, 2017 included a surplus of \$990,660 in the General Fund. However, the final salary and benefit packages for staff were not included, which will consume most or all of the surplus. The goal for the 2017-2018 fiscal year is to maintain a balanced budget in the General Fund. If this occurs, it will be in spite of no increase to the per-student funding that is provided through the State's Foundation Aid program. The payment level amount of \$9,646 per student effective for the 2016-2017 fiscal year was frozen for both the 2017-2018 fiscal year and the 2018-2019 fiscal year.

The school district projects continued growth into the future. The internal enrollment projections indicate anticipated total enrollments for the next 5 years are as follows:

2017-2018 Actual (9/30/17)	2018-2019 Projected	2019-2020 Projected	2020-2021 Projected	2021-2022 Projected	2022-2023 Projected
10,569	11,100	11,639	12,129	12,694	13,136

The school district's enrollment increased by 573 students from 9,996 on 9/30/16 to 10,569 on 9/30/2017. This represents an increase of 5.73% over the prior year. This increase will be large enough so that the district will qualify for funding under the Rapid Enrollment Grant program administered by the State of North Dakota. The original budget included \$1,200,000 from this program, presuming growth of 480 students @ \$4,000 per student. The additional growth of 93 students above our budget should represent an increase to this revenue source. Unfortunately, it appears that the appropriation for the program was not sufficient for the total enrollment increase in the State of North Dakota. This will result in a decrease to the amount per pupil, which may result in less funding than what was included in the original budget.

The school district's total mill levy has decreased from 133.29 mills in 2016-2017 to 129.27 in 2017-2018. The levy is composed of 54.97 mills for general fund purposes, 38.62 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, 5.04 mills for Special Assessments, 5.64 mills for tuition, 3.00 mills for the Special Reserve Fund and 12.00 mills for other purposes. The following chart provides a 5-year history of the district's mill levy.

Purpose	2013-14	2014-15	2015-16	2016-17	2017-18
General	60.00	60.00	57.62	54.30	54.97
Tuition (Grades 7 - 12)	4.10	2.74	3.31	4.29	5.64
Miscellaneous	8.36	10.45	12.00	12.00	12.00
Sinking & Interest	51.74	51.01	44.68	42.81	38.62
Special Assessments	5.00	5.00	9.10	6.89	5.04
Building	10.00	10.00	10.00	10.00	10.00
Special Reserve	3.00	3.00	3.00	3.00	3.00
Total	142.20	142.20	139.71	133.29	129.27

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

The original General Fund budget includes estimated revenues of \$125,199,670 and appropriated expenditures of \$124,209,010, which represents a projected surplus of \$990,660. As indicated earlier, the goal of the administration and School Board is to maintain a balanced budget for 2017-2018. Management recognizes the importance of a healthy reserve and is committed to the long-term viability and wellbeing of the school district's finances. The following table provides a summary of the original budget adopted by the School Board on August 14, 2017.

2017-2018 Fiscal Year
Statement of Revenue Budget, Expenditure Budget and Projected Fund Balance
Preliminary Budget as of August 14, 2017

Fund	Fund Account Name	Beginning Balance July 1, 2017	Revenue Budget 2017-2018	Expenditure Budget 2017-2018 *	Revenue versus Expenditures	Projected Balance June 30, 2018	Fund Balance Percent
10	General Fund	\$11,044,973.53	\$125,199,670.00	\$124,209,010.00	\$990,660.00	\$12,035,633.53	9.69%
11	Insurance Fund	\$7,208,581.68	\$18,279,870.00	\$18,279,870.00	\$0.00	\$7,208,581.68	39.43%
20	Special Reserve	\$3,449,126.61	\$1,022,660.00	\$600,000.00	\$422,660.00	\$3,871,786.61	645.30%
30	Building Fund	\$44,552,224.53	\$5,739,000.00	\$44,801,310.00	-\$39,062,310.00	\$5,489,914.53	12.25%
40	Sinking & Interest	\$6,351,653.74	\$14,787,890.00	\$14,882,490.00	-\$94,600.00	\$6,257,053.74	42.04%
50	Food Service	\$1,037,038.24	\$6,171,560.00	\$6,004,360.00	\$167,200.00	\$1,204,238.24	20.06%
60	Student Activities	\$997,905.41	\$0.00	\$0.00	\$0.00	\$997,905.41	0.00%
61	Co-Curricular	\$0.00	\$3,023,980.00	\$3,023,980.00	\$0.00	\$0.00	0.00%
70	Trust and Agency	\$17,200.90	\$0.00	\$0.00	\$0.00	\$17,200.90	0.00%
80	Virtual CTE Ctr	\$0.00	\$864,330.00	\$864,330.00	\$0.00	\$0.00	0.00%
	Total - All Funds	\$74,658,704.64	\$175,088,960.00	\$212,665,350.00	-\$37,576,390.00	\$37,082,314.64	17.44%

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 lemer@west-fargo.k12.nd.us.

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

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>	
<u>ASSETS</u>	
Cash and Investments	\$ 68,755,097
ISF Cash and Investments	7,139,241
Accounts Receivable	101,020
Intergovernmental Receivable	1,327,617
Due from County Treasurer	1,608,475
Inventory	13,203
Taxes Receivable	1,862,804
Unamortized Bond Discount	679,413
Capital Assets (not being depreciated):	
Land	13,521,736
Construction in Progress	49,307,990
Capital Assets (net of accumulated depreciation):	
Buildings	151,662,987
Equipment	1,366,426
Vehicles	2,192,369
Parking Lots	440,678
Land Improvements	6,225,582
Total Capital Assets	<u>\$ 224,717,768</u>
Total Assets	<u>\$ 306,204,638</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension	<u>\$ 41,627,940</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 347,832,578</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,881,369
Benefits Payable	23,847
Unearned Revenue	32,525
Retainage Payable	2,771,729
Incurred but not Reported Claims	871,000
Interest Payable	929,993
Long-Term Liabilities:	
Due Within One Year:	
G.O. / Lease Revenue Bonds Payable	9,136,318
Leases Payable	330
Special Assessments Payable	472,419
Bond Premium-Unamortized	632,644
Compensated Absences Payable	320,773
Due After One Year:	
G.O. / Lease Revenue Bonds Payable	181,730,312
Special Assessments Payable	9,906,571
Bond Premium-Unamortized	6,213,420
Compensated Absences Payable	213,848
Net Pension Liability	<u>135,847,889</u>
Total Liabilities	<u>\$ 352,984,987</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Pension	<u>\$ 1,461,114</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 354,446,101</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 27,684,157
Restricted for:	
Special Purposes	4,553,851
Capital Projects	38,343,781
Unrestricted	<u>(77,195,312)</u>
Total Net Position	<u>\$ (6,613,523)</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 ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>					
Regular Instruction	\$ 72,012,463	\$ 177,985	\$ 694,452	\$ -	\$ (71,140,026)
Federal Programs	3,270,075	-	6,158,785	-	2,888,710
Special Education	24,214,511	427,579	815,083	-	(22,971,849)
Career and Technical Education	2,678,537	-	485,417	-	(2,193,120)
School Administration	6,535,620	-	-	-	(6,535,620)
General Administration	4,115,002	-	-	-	(4,115,002)
Operations and Maintenance	16,758,538	-	-	-	(16,758,538)
Student Transportation	3,814,356	6,000	1,153,828	-	(2,654,528)
Co-curricular Activities	4,693,406	413,260	-	-	(4,280,146)
Other Programs and Services	1,182,125	37,929	-	-	(1,144,196)
School Food Services	6,154,768	3,222,886	3,241,654	-	309,772
Interest, Fees & Other Charges on Long-Term Debt	4,895,968	-	251,971	-	(4,643,997)
Total Governmental Activities	<u>\$ 150,325,369</u>	<u>\$ 4,285,639</u>	<u>\$ 12,801,190</u>	<u>\$ -</u>	<u>\$ (133,238,540)</u>
<u>General Revenues:</u>					
Property taxes; levied for general purposes					\$ 16,720,730
Property taxes; levied for tuition, technology & alternative programs					1,437,281
Property taxes; levied for miscellaneous general purposes					3,694,816
Property taxes; levied for capital projects & building purposes					3,090,514
Property taxes; levied for special reserve					923,733
Property taxes; levied for debt service					15,293,456
Grants and Contributions Not Restricted to Specific Programs:					
Per Pupil Foundation Aid					86,309,246
Other Grants and Contributions Not Restricted					943,800
Unrestricted Investment Earnings					401,689
Unrealized Loss					(87,634)
Rental Income					438,494
Miscellaneous Revenues					<u>1,417,346</u>
Total General Revenues					<u>\$ 130,583,471</u>
Change in Net Position					<u>\$ (2,655,069)</u>
Net Position - July 1					<u>\$ (3,958,454)</u>
Net Position - June 30					<u><u>\$ (6,613,523)</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

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 13,342,892	\$ 6,351,654	\$ 44,552,778	\$ 3,449,126	\$ 1,058,647	\$ 68,755,097
Accounts Receivable	22,697	-	-	-	166	22,863
Due from County Treasurer	851,634	516,625	204,041	36,175	-	1,608,475
Intergovernmental Receivable	1,317,247	-	-	-	10,370	1,327,617
Taxes Receivable	985,629	598,567	236,798	41,810	-	1,862,804
Inventories	13,203	-	-	-	-	13,203
Total Assets	<u>\$ 16,533,302</u>	<u>\$ 7,466,846</u>	<u>\$ 44,993,617</u>	<u>\$ 3,527,111</u>	<u>\$ 1,069,183</u>	<u>\$ 73,590,059</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
<u>Liabilities:</u>						
Accounts Payable	\$ 3,792,896	\$ -	\$ 35,970	\$ -	\$ 42,443	\$ 3,871,309
Benefits Payable	23,847	-	-	-	-	23,847
Revenue Received in Advance	32,525	-	-	-	-	32,525
Total Liabilities	<u>\$ 3,849,268</u>	<u>\$ -</u>	<u>\$ 35,970</u>	<u>\$ -</u>	<u>\$ 42,443</u>	<u>\$ 3,927,681</u>
<u>Deferred Inflows of Resources:</u>						
Uncollected Taxes Receivable	\$ 985,629	\$ 598,567	\$ 236,798	\$ 41,810	\$ -	\$ 1,862,804
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,834,897</u>	<u>\$ 598,567</u>	<u>\$ 272,768</u>	<u>\$ 41,810</u>	<u>\$ 42,443</u>	<u>\$ 5,790,485</u>
<u>Fund Balances:</u>						
<u>Non-Spendable:</u>						
Inventory	\$ 13,203	\$ -	\$ -	\$ -	\$ -	\$ 13,203
<u>Restricted for:</u>						
Special Reserve Levy	-	-	-	3,485,301	-	3,485,301
Debt Service	-	6,868,279	-	-	-	6,868,279
Capital Projects	-	-	44,720,849	-	-	44,720,849
<u>Assigned to:</u>						
Food Service	-	-	-	-	1,026,740	1,026,740
<u>Unassigned:</u>						
General	11,685,202	-	-	-	-	11,685,202
Total Fund Balances	<u>\$ 11,698,405</u>	<u>\$ 6,868,279</u>	<u>\$ 44,720,849</u>	<u>\$ 3,485,301</u>	<u>\$ 1,026,740</u>	<u>\$ 67,799,574</u>
Total Liabilities and Fund Balances	<u>\$ 16,533,302</u>	<u>\$ 7,466,846</u>	<u>\$ 44,993,617</u>	<u>\$ 3,527,111</u>	<u>\$ 1,069,183</u>	<u>\$ 73,590,059</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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total <i>Fund Balances of</i> Governmental Funds	\$ 67,799,574
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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	\$ 274,665,628	
Less Accumulated Depreciation	<u>(49,947,860)</u>	224,717,768

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:	6,336,338
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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.	1,862,804
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Net Pension obligations are not due and payable in the current period, and therefore are not reported in the governmental funds.	(135,847,889)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Total Deferred Outflows of Resources	\$ 41,627,940	
Total Deferred Inflows of Resources	<u>(1,461,114)</u>	40,166,826

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, 2017 are made up of the following liabilities:

Bonds Payable	\$ (190,866,630)	
Leases Payable	(330)	
Special Assessments Payable	(10,378,990)	
Interest Payable	(929,993)	
Bond Premium - Unamortized Balance	(6,846,064)	
Retainage Payable	(2,771,729)	
Bond Discount Costs- Unamortized Balance	679,413	
Compensated Absences	<u>(534,621)</u>	(211,648,944)

Total Net Position - Governmental Activities	<u>\$ (6,613,523)</u>
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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, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Local Sources	\$ 22,981,219	\$ 13,018,370	\$ 5,146,902	\$ 910,880	\$ 3,615,090	\$ 45,672,461
State Sources	90,401,827	-	-	-	63,367	90,465,194
Federal Sources	6,158,785	-	-	-	3,178,287	9,337,072
Other Sources	629,281	20,501	648,755	8,810	462,677	1,770,024
Total Revenues	\$ 120,171,112	\$ 13,038,871	\$ 5,795,657	\$ 919,690	\$ 7,319,421	\$ 147,244,751
<u>Expenditures:</u>						
Current:						
Regular Instruction	\$ 67,549,572	\$ -	\$ -	\$ -	\$ -	\$ 67,549,572
Federal Programs	3,139,279	-	-	-	-	3,139,279
Special Education	23,154,487	-	-	-	-	23,154,487
Career and Technical Education	2,561,450	-	-	-	-	2,561,450
School Administration	6,219,966	-	-	-	-	6,219,966
General Administration	3,939,704	-	-	-	-	3,939,704
Operations and Maintenance	7,553,270	-	-	-	-	7,553,270
Student Transportation	3,295,038	-	-	-	-	3,295,038
Co-curricular Activities	438,789	-	-	-	2,870,018	3,308,807
Other Programs and Services	859,608	-	-	-	327,129	1,186,737
School Food Services	-	-	-	-	6,208,243	6,208,243
Capital Outlay	302,735	-	46,368,700	-	-	46,671,435
Debt Service:						
Principal	11,849	10,875,356	1,680,903	-	260,000	12,828,108
Interest	157	4,842,210	368,023	-	10,920	5,221,310
Fiscal Charges, Costs and Fees	-	6,975	-	-	1,155	8,130
Total Expenditures	\$ 119,025,904	\$ 15,724,541	\$ 48,417,626	\$ -	\$ 9,677,465	\$ 192,845,536
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,145,208	\$ (2,685,670)	\$ (42,621,969)	\$ 919,690	\$ (2,358,044)	\$ (45,600,785)
<u>Other Financing Sources (Uses):</u>						
Transfers In	\$ 347,000	\$ 4,250,683	\$ -	\$ -	\$ 2,456,758	\$ 7,054,441
Sale of Land	-	-	1,306,274	-	-	1,306,274
Bond Proceeds	-	-	45,450,000	-	-	45,450,000
Bond Premium	-	-	2,565,094	-	-	2,565,094
Loss on investment	-	(87,634)	-	-	-	(87,634)
Transfers Out	(2,456,758)	-	(4,250,683)	(282,000)	(65,000)	(7,054,441)
Total Other Financing Sources and Uses	\$ (2,109,758)	\$ 4,163,049	\$ 45,070,685	\$ (282,000)	\$ 2,391,758	\$ 49,233,734
Net Change in Fund Balances	\$ (964,550)	\$ 1,477,379	\$ 2,448,716	\$ 637,690	\$ 33,714	\$ 3,632,949
Fund Balances - July 1	\$ 12,662,955	\$ 5,390,900	\$ 42,272,133	\$ 2,847,611	\$ 993,026	\$ 64,166,625
Fund Balances - June 30	\$ 11,698,405	\$ 6,868,279	\$ 44,720,849	\$ 3,485,301	\$ 1,026,740	\$ 67,799,574

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, 2017

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 3,632,949
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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	\$ 45,761,617	
Current Year Depreciation Expense	<u>(4,950,162)</u>	40,811,455

The net result of miscellaneous transactions involving capital assets was a net decrease to capital assets.	(1,315,474)
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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	\$ 11,135,356	
Leases Payable	11,849	
Special Assessments Payable	<u>1,680,903</u>	12,828,108

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:

Issuance of Special Assessments	\$ (4,018,033)	
Bond Issuances	(45,450,000)	
Bond Premium Additions	<u>(2,565,094)</u>	(52,033,127)

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 discounts are amortized over the life of the bond using the straight-line method (as interest expense):

Premium Amortization	\$ 625,893	
Discount Amortization	<u>(48,530)</u>	577,363

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 Change in Compensated Absences	\$ (69,841)	
Net Change in Retainage Payable	(2,402,320)	
Net Change in Interest Payable	<u>(243,891)</u>	(2,716,052)

The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension Liability	\$ (23,809,373)	
Net Change in Deferred Outflows of Resources	17,061,977	
Net Change in Deferred Inflows of Resources	<u>768,433</u>	(5,978,963)

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.	513,183
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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 reported with governmental activities.

	<u>1,025,489</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (2,655,069)</u></u>
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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, 2017

	Internal Service Fund
<u>Assets:</u>	
<u>Current Assets:</u>	
Cash and Investments	\$ 7,139,241
Accounts Receivable	78,157
Total Assets	<u>\$ 7,217,398</u>
<u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 10,060
Incurred but not reported claims	871,000
Total Current Liabilities	<u>\$ 881,060</u>
<u>Net Position:</u>	
Unrestricted	<u>\$ 6,336,338</u>
Total Net Position	<u><u>\$ 6,336,338</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, 2017

	Internal Service Fund
<u>Revenues:</u>	
<u>Operating Revenues:</u>	
Contributions to Self-Insurance	<u>\$ 16,732,309</u>
<u>Expenses:</u>	
<u>Operating Expenses:</u>	
Insurance Claims	<u>\$ 15,706,820</u>
Operating Income	<u>\$ 1,025,489</u>
Net Position - July 1	<u>\$ 5,310,849</u>
Net Position - June 30	<u><u>\$ 6,336,338</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 CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2017

	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Received from User Charges	\$ 16,663,463
Payments for Insurance Claims	<u>(16,001,364)</u>
Net Cash Provided by Operating Activities	<u>\$ 662,099</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 662,099</u>
Cash and Cash Equivalents - July 1	<u>\$ 6,477,141</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 7,139,240</u></u>
<u>Reconciliation of Operating Profit to Net Cash</u>	
<u>Used by Operating Activities:</u>	
Operating Profit	\$ 1,025,489
<u>Adjustments to Reconcile Operating Income to</u>	
<u>Net Cash Provided (Used) by Operating Activities:</u>	
Increase in Accounts Receivable	(68,846)
Decrease in Accounts Payable	(306,544)
Increase in IBNR Claims Payable	<u>12,000</u>
Net Cash Provided by Operating Activities	<u><u>\$ 662,099</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
AGENCY FUNDS
June 30, 2017

	Agency Funds
<u>Assets:</u>	
Cash and Investments	<u>\$ 1,073,011</u>
Total Assets	<u><u>\$ 1,073,011</u></u>
<u>Liabilities:</u>	
Accounts Payable	\$ 57,913
Trust & Agency Consortium	17,201
Due to Student Activities Groups	<u>997,897</u>
Total Liabilities	<u><u>\$ 1,073,011</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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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 criterion 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. The remaining bonds outstanding of the building authority were paid off during FY2017. 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.

Special Reserve Fund. This fund is used to account for the accumulation of resources from the special reserve levy. 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 next year 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. In accordance with NDCC 57-19-01, the ending fund balance is limited to the amount generated by fifteen (15) mills times the taxable valuation of the school district. The school district has recently been using these funds to offset costs associated with the opening of new school buildings. In the first year of operation, up to 40% of the estimated costs of the new facility are transferred to the General Fund and in the second year of operation, up to 20% of the estimated costs are transferred.

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 Buses	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

** - Buses 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 twelve days per contract year. The District does provide a payout of up to 45 days at \$100 per eight-hour work day for unused sick leave for employees who meet the following requirements;

- 1) 10 years of employment with the District
- 2) Employees are TFFR or PERS eligible
- 3) Employees declare their intention to retire no later than May 1, or four weeks in advance of the retirement date

H. Pension

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

I. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. 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.

J. 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.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements – Continued

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 \$11,685,202 at June 30, 2017 represented 9.8% of FY2017 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*

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 is reported in the general fund totaling \$13,203.

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

Capital Projects Funds – restricted by enabling legislation & bond indenture) - \$44,720,849:

- (a) Two (2) Elementary Schools/Aquatic Center/Hockey Arena – restricted by bond indenture for capital projects construction – \$41,553,780
- (b) Special assessments levy fund balance – restricted by specified tax levy – \$594,524 (debt service)
- (c) State School Construction fund balance – restricted by tax levy for debt service -- \$2,608,515

Debt Service Fund (major fund – restricted by enabling legislation & bond indenture - 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, JJ, KK, LL, NN, OO, and PP – totaling \$6,868,279.

Special Reserve fund (major fund) – restricted by specified tax levy (enabling legislation annual budget) – totaling \$3,485,301.

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

Assigned fund balances are reported in the food service fund totaling \$1,026,740.

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

Unassigned fund balance is reported in the general fund totaling \$11,685,202.

Net Position:

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

Net investment in capital assets is reported for capital assets less accumulated depreciation 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.

K. Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers.

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

NOTE 2: 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 end June 30, 2017, the school district's carrying amount of deposits was \$76,964,774, and the bank balances totaled \$85,429,488. Of the bank balances, \$61,631,008 was covered by Federal Depository Insurance or Securities Investor Protection Corporation Insurance, and \$1,890,262 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 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, 2017, the school district had certificates of deposit totaling \$19,600,352.

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 February 6, 2017 is Aa3 for the GO school building bonds, and Aa3 for the bond defeasance (GO limited tax school building refunding bonds).

NOTE 3: 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 4: 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, 2017.

NOTE 5: 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 6: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 7: PREPAID EXPENSES

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

NOTE 8: INVENTORY

Inventory consists of supplies on hand at year-end reported in the general fund valued at cost.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements – Continued

NOTE 9: CAPITAL ASSETS

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

PRIMARY GOVERNMENT: Governmental Activities:	Balance July 1	Increases	Decreases	Transfers	Balance June 30
<i>Capital assets not being depreciated:</i>					
Land	\$ 13,963,971	\$ 864,039	\$ 1,306,274	\$ -	\$ 13,521,736
Construction in Progress	5,915,492	44,144,003	-	(751,505)	49,307,990
Total Capital Assets, Not Being Depreciated	\$ 19,879,463	\$45,008,042	\$ 1,306,274	\$ (751,505)	\$ 62,829,726
<i>Capital assets being depreciated:</i>					
Buildings	\$193,220,488	\$ -	\$ -	\$ 652,943	\$ 193,873,431
Equipment	3,498,796	401,874	-	-	3,900,670
Vehicles	4,055,882	351,700	84,905	-	4,322,677
Parking Lots	974,602	-	-	-	974,602
Land Improvements	8,665,960	-	-	98,562	8,764,522
Total Capital Assets, Being Depreciated	\$210,415,728	\$ 753,574	\$ 84,905	\$ 751,505	\$ 211,835,902
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 38,341,027	\$ 3,869,417	\$ -	\$ -	\$ 42,210,444
Equipment	2,246,264	287,980	-	-	2,534,244
Vehicles	1,920,444	285,569	75,705	-	2,130,308
Parking Lots	464,954	68,970	-	-	533,924
Land Improvements	2,100,714	438,226	-	-	2,538,940
Total Accumulated Depreciation	\$ 45,073,403	\$ 4,950,162	\$ 75,705	\$ -	\$ 49,947,860
Total Capital Assets Being Depreciated, Net	\$165,342,325	\$ (4,196,588)	\$ 9,200	\$ 751,505	\$ 161,888,042
Governmental Activities Capital Assets, Net	\$185,221,788	\$40,811,454	\$ 1,315,474	\$ -	\$ 224,717,768

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

Depreciation by Function:	Total
Regular Instruction	\$ 99,961
Career & Tech. Ed.	5,261
General Administration	80,345
Food Service	68,151
Operations & Maintenance	3,986,852
Transportation	313,326
Co-Curricular	396,266
Total	\$ 4,950,162

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: PAYROLL PAYABLE

Payroll payable consists of salaries owed at June 30th, but paid in July and August.

NOTE 12: BENEFITS PAYABLE

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

NOTE 13: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended June 30, 2017, the following changes occurred in liabilities reported in long-term liabilities:

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
GO / Lease Revenue Bonds	\$ 156,551,986	\$ 45,450,000	\$ 11,135,356	\$ 190,866,630	\$ 9,136,318
Special Assessments	8,041,859	4,018,033	1,680,902	10,378,990	472,419
Leases Payable	12,179	-	11,849	330	330
Bond Discount	(727,943)	-	(48,530)	(679,413)	(48,529)
Bond Premium	4,906,864	2,565,094	625,894	6,846,064	625,894
Compensated Absences *	464,780	69,841	-	534,621	320,773
Net Pension Liability *	112,038,516	23,809,373	-	135,847,889	-
Total Governmental Activities	\$ 281,288,241	\$ 75,912,341	\$ 13,405,471	\$ 343,795,111	\$ 10,507,205

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

Outstanding debt (excluding compensated absences & net pension liability) at June 30, 2017 consists of the following individual issues:

General Obligation and Lease Revenue Bonds Payable (gross):

\$45,450,000 General Obligation School Building Refunding Bonds Series 2017 (Bond PP), due in annual installments of \$1,470,000 to \$3,200,000 through August 1, 2036; interest at 2.0% to 3.25%.	\$ 45,450,000
\$2,500,000 School Building Bonds 2002B, due in annual installments of \$131,814 to \$137,167 through June 2022; interest at 1.0%.	672,386
\$2,205,000 Limited Tax School Building Fund Refunding Bonds, Series 2015, due in annual installments of \$545,000 to \$565,000 through November 1, 2020; interest at 1.0% to 1.5%.	1,665,000
\$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%.	55,685,000
\$4,000,000 State School Construction Bonds of 2011, due in annual installments of \$185,623 to \$239,207 through May 2031; interest at 1.97%.	2,959,191
\$16,045,000 General Obligation School Building Bonds, Series 2013B, due in annual installments of \$3,225,000 to \$3,535,000 through May 1, 2020; interest at 3.0% to 4.0%.	10,110,000
\$2,260,000 State School Construction Bonds, Series 2013A, due in annual installments of \$95,000 to \$150,000 through May 1, 2033; interest at 4.0%.	1,905,000
\$9,040,000 State School Construction Bonds, Series 2015, due in annual installments of \$427,225 to \$495,995 through May 1, 2033; interest at 1.0%.	7,372,984
\$9,400,000 Limited Tax School Building Bonds, Series 2013/2015, due in annual installments of \$458,718 to \$551,041 through May 1, 2033; interest at 1.23%.	8,057,018
\$7,650,000 General Obligation School Building Bonds, Series 2015B, due in annual installments of \$1,825,000 to \$2,000,000 through May 1, 2035; interest at 3%.	7,650,000

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements – Continued

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

\$45,000,000 General Obligation School Building Bonds, Series 2017A, due in annual installments of \$1,760,000 to \$2,935,000 through November 1, 2036; interest at 2.0% to 4.0%.	\$ 43,280,000
\$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 \$125,417 to \$137,167 through June 1, 2025; interest at 1.0%.	1,060,050
Total Bonds Payable	<u>\$ 190,866,630</u>

Special Assessments Payable:

Special Assessments Payable represents special assessment taxes levied by the City of West Fargo, ND, City of Horace, ND, and the City of Harwood, 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 2041 with interest at 4.0% to 7.0%.	<u>\$ 10,378,990</u>
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Capital Leases Payable:

Postage Machine Lease – due in monthly installments of \$330 to \$111 through September 2017, interest at 9.90%.	<u>\$ 330</u>
Total Gross Long-Term Debt (excluding compensated absences)	<u>\$ 201,245,950</u>

Debt service requirements (excluding compensated absences) on long-term debt at June 30, 2017 are as follows:

Primary Government - Governmental Activities						
Year Ending June 30	Bonds Payable		Special Assmts. Payable		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 9,136,318	\$ 5,663,158	\$ 472,419	\$ 443,051	\$ 330	\$ 5
2019	11,002,487	5,831,624	474,504	422,955	-	-
2020	11,828,865	5,529,570	476,688	402,761	-	-
2021	8,085,458	5,180,653	473,534	382,463	-	-
2022	8,462,266	4,933,470	471,998	362,322	-	-
2023 - 2027	53,026,083	20,467,085	2,364,468	1,510,247	-	-
2028 - 2032	56,023,117	10,375,153	2,390,986	1,006,890	-	-
2033 - 2037	33,302,036	2,454,253	2,304,886	505,056	-	-
2038 - 2041	-	-	949,507	94,354	-	-
Totals	\$190,866,630	\$60,434,966	\$10,378,990	\$ 5,130,099	\$ 330	\$ 5

Year Ending June 30	Bond Premium/Discount	
	Premium	Discount
2018	\$ 625,894	\$ 48,529
2019	625,894	48,530
2020	624,401	48,529
2021	363,916	48,530
2022	363,915	48,529
2023 - 2027	1,817,953	242,648
2028 - 2032	1,661,220	194,118
2033 - 2037	762,871	-
Totals	\$ 6,846,064	\$ 679,413

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements – Continued

DEBT REFUNDING (DEFEASED DEBT) – PRIOR YEAR:

On December 1, 2015, the West Fargo Public School District issued \$2,205,000 of Limited Tax School Building Bonds to refund the remaining \$2,140,000 of Series 2008 Limited Tax Bonds with maturities from 2017 through 2020 to obtain principal and interest savings over the life of the new bonds. Proceeds of the issuance were deposited into a trustee account to advance refund the remaining bonds on May 1, 2017. The new bonds were issued with a true interest cost of 1.292771% and refunded the remaining Series 2008 Limited Tax Bonds to obtain a total cost (cash flow) savings of \$82,077, and \$80,129 in net present value savings (economic gain) over the remainder of the bonds. The 2008B issue is considered defeased and is not shown in the financial statements.

NOTE 14: 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 (\$1,862,804). Deferred inflows of resources on the statement of net position consist of amounts related to various pension items including the difference between projected and actual investment earnings, changes in assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions totaling \$1,461,114.

NOTE 15: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions representing changes in assumptions, differences in actual and expected experience, changes in proportion and differences between employer contributions and proportionate share of contributions, the difference in expected and actual experience totaling, and contributions made subsequent to the measurement date totaling \$41,627.940.

NOTE 16: INTEREST PAYABLE

Interest payable consists of interest accrued on bonds payable, special assessments payable, and leases payable at June 30, 2017, but not paid until after year-end.

NOTE 17: 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, 2017:

	Transfer In	Transfer Out
General	\$ 347,000	\$ 2,456,758
Capital Projects Fund-Fund 30	-	4,250,683
Debt Service Funds-Fund 40	4,250,683	-
Special Reserve Fund-Fund 20	-	282,000
Food Service-Fund 50	-	65,000
Co-Curricular-Fund 61	2,456,758	-
Total	\$ 7,054,441	\$ 7,054,441

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
- Transfer money from the general fund to the co-curricular fund to support those activities

NOTE 18: 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 19: 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, 2017 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, 2016	\$859,000
Incurred Claims Including IBNR's and Changes in Estimates	12,000
Balance - June 30, 2017	\$871,000

NOTE 20: PENSION PLANS

North Dakota Teachers' Fund for Retirement TFFR

General Information about the TFFR Pension Plan

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70 $\frac{1}{2}$. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Inflows of Resources Related to Pensions

At June 30, 2017, the West Fargo Public School District reported a liability of \$120,758,557 for its proportionate share of net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2016, the district's proportion was 8.24257540%, an increase of .417496%.

For the year ended June 30, 2017, the district recognized pension expense of \$12,498,223. At June 30, 2017, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

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

NDTFFR:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 570,335	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	6,902,055	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	10,038,307	571,762
Changes of Assumptions	10,086,831	-
District Contributions Subsequent to the Measurement Date	7,488,349	-
Total	\$ 35,085,877	\$ 571,762

\$7,488,349, reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

2018	\$4,966,410
2019	4,966,410
2020	7,419,299
2021	5,883,536
2022	3,189,273
Thereafter	600,839

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016 funding actuarial valuation for TFFR.

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

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	7.30%
Global Fixed Income	23%	.88%
Global Real Assets	18%	5.32%
Cash Equivalents	1%	0.00%

Discount Rate

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

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

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$156,632,921	\$120,758,557	\$90,878,600

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at www.nd.gov/rio/sib/publications/cafr/default.htm, for the fiscal year ended June 30, 2016. Additional financial and actuarial information is also available on their website, or may be obtained by writing to RIO at ND Retirement and Investment Office, 19380 Burnt Boat Drive, PO Box 7100, Bismarck, North Dakota, 58507-7100 or by calling (701) 328-9885.

North Dakota Public Employees Retirement System (Main System)**General Information about the NDPERS Pension Plan**

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective January 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contributions rates are 7.12% of covered compensation.

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

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

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

At June 30, 2017, the West Fargo Public School District reported a liability of \$15,089,332 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2016, the district's proportion was 1.548263 percent, which was an increase of .122078% from its proportion measured at June 30, 2015.

For the year ended June 30, 2017, the district recognized pension expense of \$2,317,711. At June 30, 2017, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

NDPERS:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 226,674	\$ 139,715
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,385,693	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,105,180	-
Changes of Assumptions	1,391,044	749,637
District Contributions Subsequent to the Measurement Date	1,433,472	-
Total	\$ 6,542,063	\$ 889,352

\$1,433,472 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

2018	\$510,586
2019	510,586
2020	969,824
2021	621,798
2022	220,750
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates are based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (not setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016 funding actuarial valuation for NDPERS.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements – Continued

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's Proportionate Share of the Net Pension Liability	\$21,403,926	\$15,089,332	\$9,768,959

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report.

NOTE 21: COMMITMENTS

The West Fargo Public School District No. 6 had the following commitments for construction contracts as of June 30, 2017.

Project	Original Contract	Total Contract	Total Completed	Retainages Payable	Remaining Balance
Horace - Phase II	\$ 482,426	\$ 482,426	\$ 87,807	\$ 8,781	\$ 403,400
Berger Elementary	3,392,317	3,288,028	3,112,493	182,542	358,077
Brooks Harbor	9,834,045	9,901,923	9,694,922	331,464	538,465
Aquatics Facility	18,172,140	18,235,944	11,692,564	941,705	7,485,085
WFHS Auxillary Gym & Addition	5,846,881	5,918,367	5,285,686	374,480	1,007,161
Willow Park Elemenary	11,407,435	11,407,435	2,175,240	215,801	9,447,996
Osgood Kg to Osgood Elem.	1,959,168	1,959,168	187,456	18,469	1,790,181
Transportation Facility	5,369,565	5,369,565	1,137,234	112,790	4,345,121
WF Sports Arena	14,638,981	14,753,696	12,549,958	585,696	2,789,434
Playground Improvements	421,609	436,116	-	-	436,116
Cheney Gym Floor Resurface	28,840	28,840	-	-	28,840
Sheyenne HS Office Remodel	112,008	112,008	-	-	112,008
Storage Sheds	67,384	67,384	3,983	-	63,401
Total	\$ 71,732,799	\$ 71,960,900	\$ 45,927,343	\$ 2,771,728	\$ 28,805,285

Retainages payable is reported at the government wide level for amounts withheld from construction projects until they are satisfactorily completed.

NOTE 22: TAX ABATEMENTS

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

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

New and Expanding Business:

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

The following criteria are only guidelines.

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

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

Total program reduction in taxes – \$144,767

Public Charity Exemption:

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

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

Exemption criteria:

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

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

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

Total program reduction in taxes – \$686,138

Single Family Residence:

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

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

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

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

Total program reduction in taxes – \$720,299

Childhood Service Exemption:

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

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

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

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

Total program reduction in taxes – \$27,507

Commercial and Residential:

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

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

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

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

Total program reduction in taxes – \$28,726

NOTE 23: SUBSEQUENT EVENTS

- 1) The school district completed a land swap to exchange property that it owned on 70th Avenue South with a larger site on 76th Avenue South. The cost of the exchange, including the increase of 22.08 acres, was \$1,073,575.00.
- 2) The school district has entered into an agreement to sell a portion of its property adjacent to the Deer Creek Subdivision. The district will retain 9.91 acres of the 22.01 total acres for an elementary school. The sale price is \$384,795.00.
- 3) The School Board approved salary and benefits packages for all staff as follows: Licensed Teachers – total compensation increase of 3.10% for 2017-2018 and 3.06% for 2018-2019; Classified staff – total compensation increase of 3.56% for 2017-2018 and 3.60% for 2018-2019; and Administrative staff – total compensation increase of 2.48% for 2017-2018 and 2.55% increase for 2018-2019.
- 4) The School Board authorized construction of softball fields at West Fargo High School, a boiler replacement at Eastwood Elementary School, a music addition to Cheney Middle School, design services for security upgrades, an addition to the Lodoen Community Center and a new central kitchen.
- 5) The School Board authorized the construction of an elementary school on its site adjacent to the Deer Creek subdivision. This building will use a portion of the bond proceeds authorized during the November 17, 2015 special election, and the balance will be funded through Limited Tax School Building Fund Bonds repaid by dedicating a portion of the 10-Mill Building Fund Levy.

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

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 23,038,320	\$ 23,292,990	\$ 22,981,219	\$ (311,771)
State Sources	90,206,570	90,053,520	90,401,827	348,307
Federal Sources	4,782,410	6,449,170	6,158,785	(290,385)
Other Sources	255,000	590,840	629,281	38,441
Total Revenues	\$ 118,282,300	\$ 120,386,520	\$ 120,171,112	\$ (215,408)
<u>Expenditures:</u>				
Current:				
Regular Instruction	\$ 67,279,742	\$ 67,377,291	\$ 67,549,572	\$ (172,281)
Federal Programs	2,149,340	3,514,790	3,139,279	375,511
Special Education	22,577,423	22,877,911	23,154,487	(276,576)
Career and Technical Education	2,488,740	2,555,370	2,561,450	(6,080)
School Administration	6,182,358	6,182,789	6,219,966	(37,177)
General Administration	3,766,300	3,765,770	3,939,704	(173,934)
Operations and Maintenance	8,298,310	8,267,540	7,553,270	714,270
Student Transportation	3,313,927	3,318,690	3,295,038	23,652
Co-curricular Activities	413,370	413,969	438,789	(24,820)
Other Programs and Services	557,080	919,100	859,608	59,492
Capital Outlay	472,960	503,730	302,735	200,995
Debt Service:				
Principal	-	-	11,849	(11,849)
Interest	-	-	157	(157)
Total Expenditures	\$ 117,499,550	\$ 119,696,950	\$ 119,025,904	\$ 671,046
Excess (Deficiency) of Revenues Over Expenditures	\$ 782,750	\$ 689,570	\$ 1,145,208	\$ 455,638
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 347,000	\$ 347,000	\$ 347,000	\$ -
Transfers Out	(2,826,800)	(2,826,800)	(2,456,758)	370,042
Total Other Financing Sources and Uses	\$ (2,479,800)	\$ (2,479,800)	\$ (2,109,758)	\$ 370,042
Net Changes in Fund Balances	\$ (1,697,050)	\$ (1,790,230)	\$ (964,550)	\$ 825,680
Fund Balance - July 1	\$ 12,662,955	\$ 12,662,955	\$ 12,662,955	\$ -
Fund Balance - June 30	\$ 10,965,905	\$ 10,872,725	\$ 11,698,405	\$ 825,680

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

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

BUDGETARY COMPARISON SCHEDULE
SPECIAL RESERVE FUND
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Local Sources	\$ 924,920	\$ 924,140	\$ 910,880	\$ (13,260)
Other Sources	90,000	90,000	8,810	(81,190)
Total Revenues	\$ 1,014,920	\$ 1,014,140	\$ 919,690	\$ (94,450)
<u>Expenditures:</u>				
Current:	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,014,920	\$ 1,014,140	\$ 919,690	\$ (94,450)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (282,000)	\$ (282,000)	\$ (282,000)	\$ -
Net Changes in Fund Balances	\$ 732,920	\$ 732,140	\$ 637,690	\$ (94,450)
Fund Balance - July 1	\$ 2,847,611	\$ 2,847,611	\$ 2,847,611	\$ -
Fund Balance - June 30	\$ 3,580,531	\$ 3,579,751	\$ 3,485,301	\$ (94,450)

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

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

PENSION SCHEDULES
June 30, 2017

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

	2017	2016	2015
District's proportion of the net pension liability (asset) **	8.24257540%	7.825079%	7.495843%
District's proportionate share of the net pension liability (asset)	\$ 120,758,557	\$ 102,340,701	\$ 78,543,146
District's covered-employee payroll	\$ 53,554,062	\$ 48,132,439	\$ 43,479,883
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.10%	66.60%

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

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

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

	2017	2016	2015
Statutorily required contribution	\$ 6,828,143	\$ 6,136,886	\$ 4,674,087
Contributions in relation to the statutorily required contribution	\$ (6,828,143)	\$ (6,136,886)	\$ (4,674,087)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 53,554,062	\$ 48,132,439	\$ 43,479,883
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	10.75%

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

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

	2017	2016	2015
District's proportion of the net pension liability (asset) **	1.548263%	1.426185%	1.291697%
District's proportionate share of the net pension liability (asset)	\$ 15,089,332	\$ 9,697,815	\$ 8,198,677
District's covered-employee payroll	\$ 15,602,834	\$ 12,705,578	\$ 10,880,989
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

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

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

	2017	2016	2015
Statutorily required contribution	\$ 1,129,620	\$ 965,090	\$ 774,726
Contributions in relation to the statutorily required contribution	\$ (1,112,998)	\$ (956,975)	\$ (774,726)
Contribution deficiency (excess)	\$ 16,622	\$ 8,115	\$ -
District's covered-employee payroll	\$ 15,602,834	\$ 12,705,578	\$ 10,880,989
Contributions as a percentage of covered-employee payroll	7.24%	7.60%	7.12%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The school district amended the budget of various school funds during the 2016-2017 year:

	REVENUES/TRANSFERS IN		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
General Fund	\$ 118,629,300	\$ 2,104,220	\$ 120,733,520
Special Reserve	1,014,920	(780)	1,014,140
Capital Projects Fund	5,598,630	49,286,960	54,885,590
Debt Service Fund	14,876,770	2,565,090	17,441,860

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
General Fund	\$ 120,326,350	\$ 2,197,400	\$ 122,523,750
Capital Projects Fund	48,009,210	2,565,090	50,574,300

NOTE 3: CHANGES OF ASSUMPTIONS

ND Teachers' Fund for Retirement

Amounts reported in 2016 reflect the following actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study dated April 30, 2015.

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

ND Public Employees Retirement System

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Food Service	Co-Curricular	Building Authority	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and Investments	\$ 1,032,937	\$ 7,889	\$ 17,821	\$ 1,058,647
Accounts Receivable	166	-	-	166
Intergovernmental Receivable	10,370	-	-	10,370
Total Assets	<u>\$ 1,043,473</u>	<u>\$ 7,889</u>	<u>\$ 17,821</u>	<u>\$ 1,069,183</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	\$ 16,733	\$ 7,889	\$ 17,821	\$ 42,443
<u>Fund Balances:</u>				
<u>Committed to:</u>				
Food Service	\$ 1,026,740	\$ -	\$ -	\$ 1,026,740
Total Fund Balances	<u>\$ 1,026,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026,740</u>
Total Liabilities and Fund Balances	<u>\$ 1,043,473</u>	<u>\$ 7,889</u>	<u>\$ 17,821</u>	<u>\$ 1,069,183</u>

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, 2017

	Food Service Fund	Co-Curricular	Building Authority	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Local Sources	\$ 3,201,830	\$ 413,260	\$ -	\$ 3,615,090
State Sources	63,367	-	-	63,367
Federal Sources	3,178,288	-	-	3,178,288
Other Sources	23,467	-	439,210	462,677
Total Revenues	\$ 6,466,952	\$ 413,260	\$ 439,210	\$ 7,319,422
<u>Expenditures:</u>				
Current:				
School Food Services	\$ 6,208,244	\$ -	\$ -	\$ 6,208,244
Co-curricular	-	2,870,018	-	2,870,018
Other	-	-	327,129	327,129
Debt Service:				
Principal	-	-	260,000	260,000
Interest	-	-	10,920	10,920
Fiscal Charges & Fees	-	-	1,155	1,155
Total Expenditures	\$ 6,208,244	\$ 2,870,018	\$ 599,204	\$ 9,677,466
Excess (Deficiency) of Revenues Over Expenditures	\$ 258,708	\$ (2,456,758)	\$ (159,994)	\$ (2,358,044)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 2,456,758	\$ -	\$ 2,456,758
Transfers Out	(65,000)	-	-	(65,000)
Total Other Financing Sources and Uses	\$ (65,000)	\$ 2,456,758	\$ -	\$ 2,391,758
Net Change in Fund Balances	\$ 193,708	\$ -	\$ (159,994)	\$ 33,714
Fund Balances - July 1	\$ 833,032	\$ -	\$ 159,994	\$ 993,026
Fund Balances - June 30	\$ 1,026,740	\$ -	\$ -	\$ 1,026,740

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6
West Fargo, North Dakota
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Grantor Pass-thru Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed through the State Department of Public Instruction:</u>			
National School Lunch Program	10.555	N/A	*** \$ 1,809,590
National School Lunch Program, Commodities	10.555	N/A	** 198,268
School Breakfast Program	10.553	N/A	466,826
Special Milk Program for Children	10.556	N/A	1,650
Summer Food Service Program for Children	10.559	N/A	7,411
Child Nutrition Cluster			<u>\$ 2,483,745</u>
Fresh Fruit and Vegetable Program	10.582	N/A	\$ 208,169
Specialty Crop Block Grant Program	10.170	N/A	1,264
Team Nutrition Grants	10.574	N/A	<u>10,370</u>
Total U.S. Department of Agriculture			<u>\$ 2,703,548</u>
<u>U.S. DEPARTMENT OF LABOR:</u>			
<u>Passed through the State Department of Labor:</u>			
Incentive Grants - WIA Section 503	17.267	N/A	<u>\$ 6,041</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	N/A	\$ 38,473
Title I Grants to Local Education Agencies	84.010	N/A	*** \$ 2,328,340
Special Education-Basic Grants to States	84.027	N/A	*** \$ 1,959,380
Special Education-Preschool Grants	84.173	N/A	37,669
Total Special Education Cluster			<u>\$ 1,997,049</u>
Twenty-First Century Community Learning Centers	84.287	N/A	\$ 198,089
Grants for State Assessments and Related Activities	84.369	N/A	26,418
English Language Acquisition State Grants	84.365	N/A	79,741
Supporting Effective Instruction State Grant	84.367	N/A	305,622
Total Passed through the State Department of Public Instruction			<u>\$ 2,606,919</u>
<u>Passed through the State Board of Vocational Education:</u>			
Civil Rights Training and Advisory Services	84.004	N/A	\$ 1,442
Career and Technical Education -- Basic Grants to States	84.048	N/A	161,801
Total Passed through the State Board of Vocational Education			<u>\$ 163,243</u>
Total U.S. Department of Education			<u>\$ 5,136,975</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>			
<u>Passed through the North Dakota Department of Commerce:</u>			
AmeriCorps	94.006	N/A	<u>\$ 178,230</u>
<u>U.S. DEPARTMENT OF HUMAN SERVICES:</u>			
<u>Passed through State Department of Human Services:</u>			
Refugee and Entrant Assistance-Discretionary Grants	93.576	N/A	<u>\$ 52,437</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,077,231</u></u>

** - noncash assistance

*** - major program

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

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

NOTE 1: BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the West Fargo Public School District under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the West Fargo Public School District, it is not intended to and does not present the financial position or changes in net position of the West Fargo Public School District. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3: NONCASH AWARDS

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

NOTE 4: NOT AVAILABLE (N/A)

The West Fargo Public School District was unable to obtain other identification number.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

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

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

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

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, 2017, 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 30, 2017.

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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 30, 2017

STATE AUDITOR

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

Independent Auditor's Report

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 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, 2017. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2017.

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 the Uniform Guidance - 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the West Fargo Public School District No. 6 as of and for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
November 30, 2017

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

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

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

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

Internal Control over financial reporting:

Material weaknesses identified? _____ Yes _____ X None reported

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

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

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____ Yes _____ X None reported

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

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

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516? _____ Yes _____ X None reported

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.555, 10.556 & 10.553	National School Lunch Program/School Breakfast Program/Special Milk Program (Child Nutrition Cluster)
84.010	Title I Grants to Local Education Agencies
84.027 & 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

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