



West Fargo Public School District No. 6

West Fargo, North Dakota

Audit Report

For the Year Ended June 30, 2018

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

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WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

School Board, School Officials, and Audit Personnel
June 30, 2018

SCHOOL BOARD

Kara Gravley-Stack	Board President
Shauna Vistad	Board Vice President
Jon Erickson	Board Member
Andrea Payne	Board Member
Dan Schaefer	Board Member
Allan Skramstad	Board Member
Patti Stedman	Board Member

SCHOOL OFFICIALS

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
Karen Nickel	Special Education Director
Pete Diemert/Jeff Goebel	Buildings & Ground Director
Ed Mitchell	Technology Director
Brad Redmond	Transportation Director
Dana Rieth	Food Service Director

AUDIT PERSONNEL

Craig Hashbarger, CPA, CIA, CFE	Audit Manager
Heath Erickson, CPA	Audit In-Charge

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division
FARGO OFFICE
MANAGER – CRAIG HASHBARGER
Phone (701)239-7250

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO BRANCH OFFICE
1655 43rd STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

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, 2018, and the related notes to the financial statements, which collectively comprise the West Fargo Public School District No. 6’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, 2018, 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.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, the West Fargo Public School District No. 6 adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

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 schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and the notes to the required supplementary information* on pages 4-13 and 48-54 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

Other information of the West Fargo Public School District No. 6 consists of the *combining balance sheet - nonmajor governmental funds, combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds, and schedule of expenditures of federal awards, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and notes to the schedule of expenditures of federal awards.*

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 *other information* is presented for purposes of additional analysis and are not a required part of the financial statements.

The *other 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. 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 *other information* 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 December 5, 2018 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
December 5, 2018

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Management's Discussion and Analysis
For the Year Ended June 30, 2018

The Management's Discussion and Analysis (MD&A) of West Fargo Public School District's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. 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.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- The School District's total net position increased from the prior year by \$2,860,315, excluding a prior period adjustment of \$(1,277,149) due to reporting net OPEB liability and an adjustment to compensated absences, as a result of the current year's operation.
- Total revenues from all sources were \$155,722,418 on the government-wide statement of activities and \$155,153,214 on the modified accrual basis.
- Total expenses were \$151,584,954 on the government-wide statement of activities and total expenditures were \$184,823,931 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 School District's governmental funds reported combined ending fund balances of \$49,633,823, a decrease of \$18,135,751 (26.75%) from the year ended June 30, 2017. Approximately 23.60%, or \$11,722,005, is available for spending at the School District's discretion (unassigned fund balances).
- The School District's general fund had \$126,454,358 in total revenues and \$124,169,310 in total expenditures. There was a total of \$67,500 transferred into the general fund and \$2,328,493 transferred out of the general fund.
- Capital assets net of accumulated depreciation increased \$29,139,598 (12.97%) for the year ended June 30, 2018, while current assets decreased by \$14,716,751 (18.21%).
- West Fargo Public School District's current liabilities decreased \$143,435 (1.69%) for the year ended June 30, 2018. Long-term liabilities increased \$12,964,337 (3.77%).

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 the School District 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 School District, presenting both an aggregate view of the School 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 School 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 School District to provide programs and activities and attempt to answer the question "How did the School District do financially during the year ended June 30, 2018?"

The statement of net position presents information on all the School 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 School District is improving or deteriorating.

The statement of activities presents information on how the School 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 School District's net position and changes in net position. The change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School 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 School District reports governmental activities. Governmental activities are the activities where most of the School 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 14-15](#) of this report.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

The School 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 School District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the School District's major funds. Using the criteria established by GASB Statement No. 34, the School District's general fund, special reserve, capital projects and debt service funds are considered major funds.

The School 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 16 and 18](#) 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 20-22](#) 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 District's own programs.

The basic fiduciary fund financial statement can be found on [page 23](#) of this 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, 2018 and June 30, 2017.

Current assets decreased mostly due to the spending of bond proceeds for the building projects the School District has in progress. Capital assets increased mainly as a result of completed construction and construction in progress, which showed an increase of \$29,138,598 over the previous year. The projects that were completed were Brooks Harbor Elementary, WFHS Auxiliary Gym, WF Sports Arena, Berger Elementary addition, and a number of improvement projects. Construction in progress included, the Hulbert Aquatic Center, Willow Park Elementary, the Transportation facility, Osgood Elementary renovation, Deer Creek Elementary, Central Kitchen, Cheney MS Fine Arts addition, security improvements, and other improvement projects.

The School District's net position is segregated into three separate categories: net investment in capital assets, restricted, and unrestricted.

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

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. The School District uses these capital assets to provide services to citizens, and 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.

Restricted net position reflects the School District'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 remaining building projects from the bond referendum passed in November of 2015.

Unrestricted net position totaling \$(88,931,095) represents the remainder of the School District's resources. The large negative unrestricted net position balance was solely due to the net pension and OPEB liability, and related deferred inflows and outflows of resources derived from pension and OPEB. The pension and OPEB 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 pension and OPEB items, unrestricted net position would be \$16,896,654. This 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 and OPEB items, is sufficient to meet our ongoing obligations.

TABLE I
NET POSITION

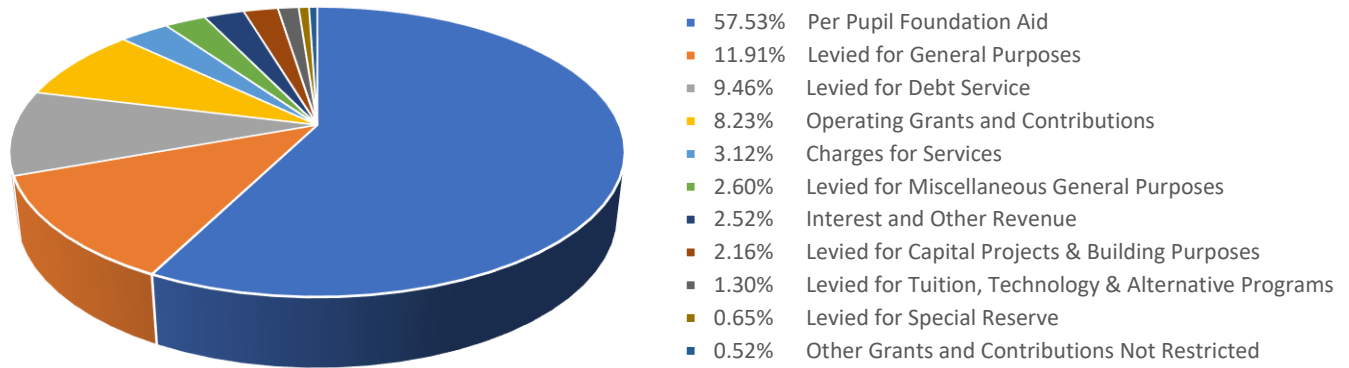
	2018	2017
Assets		
Current and Non-Current assets	\$ 66,090,706	\$ 80,807,457
Capital assets (net of depreciation)	253,857,366	224,717,768
Total Assets	<u>\$ 319,948,072</u>	<u>\$ 305,525,225</u>
Deferred Outflows of Resources		
Derived from Pension and OPEB	<u>\$ 43,533,697</u>	<u>\$ 41,627,940</u>
Liabilities		
Current Liabilities	\$ 8,367,028	\$ 8,510,463
Long Term Liabilities	356,759,448	343,795,111
Total Liabilities	<u>\$ 365,126,476</u>	<u>\$ 352,305,574</u>
Deferred Inflows of Resources		
Derived from Pension and OPEB	<u>\$ 2,108,501</u>	<u>\$ 1,461,114</u>
Net Position		
Net Investment in Capital Assets	\$ 55,411,224	\$ 27,684,157
Restricted	29,766,663	42,897,632
Unrestricted	<u>(88,931,095)</u>	<u>(77,195,312)</u>
Total Net Position	<u>\$ (3,753,208)</u>	<u>\$ (6,613,523)</u>

Table II shows the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

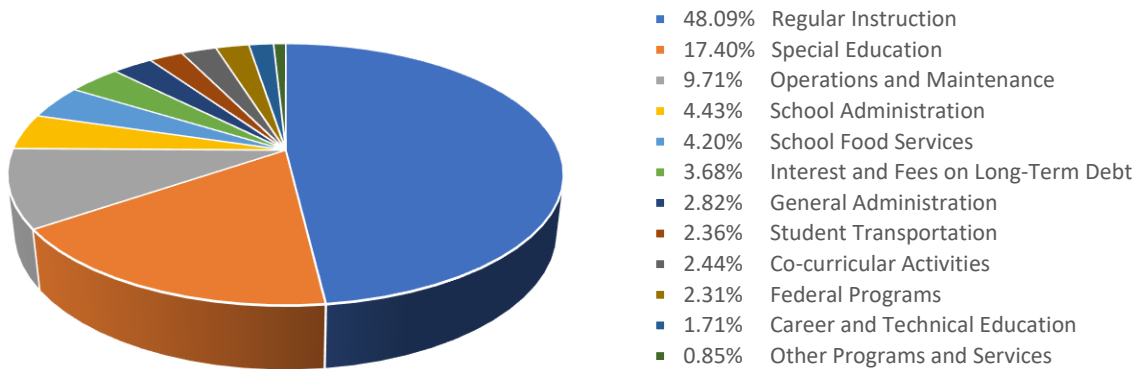
TABLE II
CHANGE IN NET POSITION

	2018	2017
Revenues		
Program Revenues		
Charges for Services	\$ 4,852,335	\$ 4,285,639
Operating Grants and Contributions	12,808,601	12,801,190
General Revenues		
Property Taxes		
Levied for General Purposes	18,543,540	16,720,730
Levied for Tuition, Technology & Alternative Programs	2,018,462	1,437,281
Levied for Miscellaneous General Purposes	4,047,953	3,694,816
Levied for Capital Projects & Building Purposes	3,370,069	3,090,514
Levied for Special Reserve	1,011,997	923,733
Levied for Debt Service	14,734,770	15,293,456
Grants and Contributions Not Restricted to Specific Programs		
Per Pupil Foundation Aid	89,592,782	86,309,246
Other Grants and Contributions Not Restricted	811,234	943,800
Interest and Other Revenue	3,930,675	2,169,895
Total Revenues	<u>\$ 155,722,418</u>	<u>\$ 147,670,300</u>
Expenses		
Regular Instruction	\$ 72,903,750	\$ 72,012,463
Federal Programs	3,508,367	3,270,075
Special Education	26,373,958	24,214,511
Career and Technical Education	2,596,171	2,678,537
School Administration	6,709,459	6,535,620
General Administration	4,279,710	4,115,002
Operations and Maintenance	14,721,102	16,758,538
Student Transportation	3,573,632	3,814,356
Co-curricular Activities	3,691,605	4,693,406
Other Programs and Services	1,281,144	1,182,125
School Food Services	6,372,306	6,154,768
Interest and Fees on Long-Term Debt	5,573,750	4,895,968
Total Expenses	<u>\$ 151,584,954</u>	<u>\$ 150,325,369</u>
Change in Net Position	<u>\$ 4,137,464</u>	<u>\$ (2,655,069)</u>
Net Position – July 1	<u>\$ (6,613,523)</u>	<u>\$ (3,958,454)</u>
Prior Period Adjustment	<u>\$ (1,277,149)</u>	<u>\$ -</u>
Net Position – June 30	<u><u>\$ (3,753,208)</u></u>	<u><u>\$ (6,613,523)</u></u>

Revenues of the West Fargo Public School District for the Fiscal Year 2018



Expenses of the West Fargo Public School District for the Fiscal Year 2018



The increase in expense for regular instruction, federal programs, special education, school and general administration, and food service can be attributed to an increase in number of positions and related expenses due to student enrollment growth and the opening of Brooks Harbor Elementary. Due to the addition of the WF Sports Arena and the Hulbert pool, there was an increase to the other program expense category. Since the opening of these facilities, we are now charging all expenses in relation to those facilities to the other category, and as a result the operations and maintenance and co-curricular programs have recognized a slight decrease in expenditures. This helped to offset the normal increases in those departments due to our student enrollment growth issues.

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 School 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.

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

As a result of the 2017 legislative session, the School District's funding pattern has changed from the prior twenty years, which relied heavily on property taxes rather than state sources. The new funding formula, established in the current biennium, places more emphasis on students rather than property. As a result, state per pupil aid increased for the year ended June 30, 2018 by \$3,283,536 (3.80%), while property tax revenue increased by \$2,566,261 (6.23%) as a result of increases in property tax base and taxable valuation. The School District also showed an increase in miscellaneous income of \$1,832,261 (129.27%), which was due to the opening of the WF Sports Arena and the use of the Hulbert Aquatic Center.

TABLE III
NET COST OF GOVERNMENTAL ACTIVITIES

	2018		2017	
	Total Cost of Service	Net (Expense) Revenue	Total Cost of Service	Net (Expense) Revenue
Regular Instruction	\$ 72,903,750	\$ (72,304,561)	\$ 72,012,463	\$ (71,140,026)
Federal Programs	3,508,367	2,753,656	3,270,075	2,888,710
Special Education	26,373,958	(24,783,035)	24,214,511	(22,971,849)
Career and Technical Education	2,596,171	(2,139,283)	2,678,537	(2,193,120)
School Administration	6,709,459	(6,709,459)	6,535,620	(6,535,620)
General Administration	4,279,710	(4,279,710)	4,115,002	(4,115,002)
Operations and Maintenance	14,721,102	(14,611,808)	16,758,538	(16,758,538)
Student Transportation	3,573,632	(2,494,053)	3,814,356	(2,654,528)
Co-curricular Activities	3,691,605	(3,242,915)	4,693,406	(4,280,146)
Other Programs and Services	1,281,144	(1,211,942)	1,182,125	(1,144,196)
School Food Services	6,372,306	420,601	6,154,768	309,772
Interest and Fees on Long-Term Debt	5,573,750	(5,321,509)	4,895,968	(4,643,997)
Total	\$ 151,584,954	\$ (133,924,018)	\$ 150,325,369	\$ (133,238,540)

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the School 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 School 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.

GOVERNMENTAL REVENUES AND EXPENDITURES

	2018	2017
Revenue		
Local Sources	\$ 49,370,586	\$ 45,672,461
State Sources	93,462,524	90,465,194
Federal Sources	9,497,849	9,337,072
Other Sources	2,822,255	1,770,024
Total Revenue	\$ 155,153,214	\$ 147,244,751
Expenditures		
Current	\$ 168,120,183	\$ 174,787,988
Debt Service	16,703,748	18,057,548
Total Expenditures	\$ 184,823,931	\$ 192,845,536

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

An increase in governmental fund revenues of \$7,908,461 (5.37%) was due to increases in local, state and federal revenues. An overall decrease of \$8,021,585 (4.16%) was noted in expenditures largely due to a decrease in capital outlays and principal and interest payments on debt, which were offset by increases in salaries. We had a number of building projects that were completed during this fiscal year, which resulted in the decrease of capital project spending. The School District also paid off two of our bond issues during fiscal year 2017, Bond BB and the building fund, which resulted in the decreased principal and interest payments.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2017-2018, the School Board amended the School District's general fund budget. The original general revenue and other financing sources fund budget was \$125,199,670. The final revenue budget was \$126,424,810 which is an increase of \$1,225,140 (.98%). Total revenues collected were \$126,521,858 and include a transfer in of \$67,500. The revenue budget had a favorable variance of \$97,048 (.08%).

The approved original general fund expenditure budget and other financing sources was \$124,209,010. The final expenditure budget was \$125,879,650, which is an increase of \$1,670,640 (1.35%). The expenditure budget had an unfavorable variance of \$604,569 (.48%).

General Fund	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues and Other Financing Sources	\$ 124,532,170	\$ 125,757,310	\$ 126,454,358	\$ 697,048
Other Financing Sources	667,500	667,500	67,500	(600,000)
Total Revenues and Other Financing Sources	\$ 125,199,670	\$ 126,424,810	\$ 126,521,858	\$ 97,048

General Fund	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures and Other Financing Uses	\$ 121,559,230	\$ 123,218,680	\$ 124,155,726	\$ (937,046)
Other Financing Uses	2,649,780	2,660,970	2,328,493	332,477
Total Expenditures and Other Financing Uses	\$ 124,209,010	\$ 125,879,650	\$ 126,484,219	\$ (604,569)

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

CAPITAL ASSETS ADMINISTRATION

CAPITAL ASSETS		
	2018	2017
Land	\$ 14,211,376	\$ 13,521,736
Construction in Progress	42,433,593	49,307,990
Buildings	187,064,177	151,662,987
Parking Lots	1,715,095	440,678
Vehicles	2,238,754	2,192,369
Equipment	407,014	1,366,426
Land Improvements	5,787,357	6,225,582
Total Capital Assets, Net	253,857,366	224,717,768

As of June 30, 2018, The School District had \$253,857,336 invested in capital assets. This total represents a net increase of \$29,139,598 (12.97%) from July 1, 2017. The majority of the net 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 5 to the financial statements on page 31 of this report.

DEBT ADMINISTRATION / LONG-TERM LIABILITIES

As of June 30, 2018, the School District had \$356,759,488 in outstanding long-term liabilities, of that \$12,492,073 was due within one year. Total long-term liabilities outstanding as of June 30, 2017 was \$345,072,260. The net increase of \$11,687,189 (3.39%) was attributed to the issuance of \$10,155,000 in bonds to be used in the construction of our Deer Creek Elementary school. The remaining increase can be attributed to the increase in our net pension and OPEB liability, and increases in special assessments, lease and compensated absence liabilities, which was offset by scheduled debt retirement on outstanding debt. The School District's pension and OPEB liability increased by 7.42% due to a change in reporting requirements. That increase can be attributed to the GASB 68 and GASB 75 requirement to report the increase in net pension and OPEB liability.

LONG TERM LIABILITIES

	2018		2017	
	Total Outstanding	Due Within One Year	Total Outstanding	Due Within One Year
Bonds				
Bond CC	\$ 540,571	\$ 133,133	\$ 672,386	\$ 131,814
Bond FF	932,113	129,217	1,060,050	127,938
Bond HH	5,000,000		5,000,000	
Bond II	53,505,000	2,385,000	55,685,000	2,180,000
Bond JJ	2,773,568	189,280	2,959,191	185,623
Bond KK	1,810,000	100,000	10,110,000	3,225,000
Bond EE	6,885,000	3,350,000	1,905,000	95,000
Bond LL	6,945,760	431,497	7,372,985	427,225
Bond MM	7,598,300	464,360	8,057,018	458,718
Bond NN	7,650,000	-	7,650,000	-
Bond GG	1,120,000	555,000	1,665,000	545,000
Bond OO	41,520,000	1,795,000	43,280,000	1,760,000
Bond PP	45,450,000	1,470,000	45,450,000	-
Bond QQ	10,155,000	-	-	-
Total Bonds, Gross	191,885,312	11,002,487	190,866,630	9,136,318
Bond Premium	\$ 7,180,067	\$ 676,415	\$ 6,846,064	\$ 625,894
Bond Discount	(630,884)	(48,530)	(679,413)	(48,530)
Total Bonds, Net	\$ 198,434,495	\$ 11,630,372	\$ 197,033,281	\$ 9,713,682
Special Assessments	\$ 10,440,082	\$ 486,898	\$ 10,378,990	\$ 472,419
Leases Payable	11,647	2,636	330	330
Comp. Absences Payable	620,279	372,167	575,520	320,773
Net Pension and OPEB Liability	147,252,945	-	137,084,139	-
Total Long-Term Liabilities	\$ 356,759,448	\$ 12,492,073	\$ 345,072,260	\$ 10,507,204

For a detailed breakdown of the additions and deductions to long-term debt, as well as for information about each individual issuance, readers are referred to Note 6 to the financial statements on [pages 32-34](#) of this report.

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

On September 25, 2018, the voters of the School District approved a referendum to support \$106,900,000 of school construction. This includes projects for a new middle school, new high school, expansions of Harwood Elementary & Horace Elementary, security enhancements, artificial turf for the high school stadiums, and the addition of specialty classrooms in several elementary schools. The first of these projects will be under construction in the spring of 2019, and design services were underway on a variety of projects in the fall of 2018.

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

In addition, there remain a number of projects still being planned or constructed from the November 15, 2015 bond referendum. Willow Park Elementary School and a music addition to Cheney Middle School opened in August, 2018. Work is underway at Deer Creek Elementary School and the Central Kitchen. Bids for the construction of a secure entrance at the Lodoen Community Center will be solicited in March, 2019.

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:

2018 - 2019 Actual (9/30/18)	2019 - 2020 Projected	2020 - 2021 Projected	2021 - 2022 Projected	2022 - 2023 Projected	2023 - 2024 Projected
10,943	11,461	11,948	12,494	12,931	13,358

The School District's enrollment increased by 374 students from 10,569 on 9/30/17, to 10,943 on 9/30/18. This represents an increase of 3.54% 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. While the established payment is \$4,000 per qualifying student, the appropriation will not accommodate the total number of students in the state. The adjusted per student payment is anticipated to be approximately \$2,500 per qualifying student. The result of our enrollment growth and the reduction per qualifying student will result in a revenue adjustment of \$307,790.

The School District's total mill levy has increased from 129.27 in 2017-2018 to 133.31 in 2018-2019. The levy is composed of 58.29 mills for general fund purposes, 41.06 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, 2.92 mills for special assessments, 6.04 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	2014-15	2015-16	2016-17	2017-18	2018-19
General	60.00	57.62	54.30	54.97	58.29
Tuition (Grades 7 - 12)	2.74	3.31	4.29	5.64	6.04
Miscellaneous	10.45	12.00	12.00	12.00	12.00
Sinking & Interest	51.01	44.68	42.81	38.62	41.06
Special Assessments	5.00	9.10	6.89	5.04	2.92
Building	10.00	10.00	10.00	10.00	10.00
Special Reserve	3.00	3.00	3.00	3.00	3.00
Total Mills	142.20	139.71	133.29	129.27	133.31

The original general fund budget includes estimated revenues of \$136,114,680 and appropriated expenditures of \$135,734,230, which represents a projected surplus of \$380,450. The School Board has updated its policy regarding general fund ending balance with a preferred range of 10-14%, but not less than 9%. This action was taken after the adoption of the initial budget, so the administration will be working to increase the projected fund balance to meet the new required minimum.

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

The following table provides a summary of the original budget adopted by the School Board on July 23, 2018.

2018-2019 Fiscal Year
 Statement of Revenue Budget, Expenditure Budget and Projected Fund Balance
 Preliminary Budget as of July 23, 2018

Fund	Fund Account Name	Beginning Balance 7/1/2018	Revenue Budget 2018-2019	Expenditure Budget 2018-2019	Revenues Over (Under) Expenditures	Projected Balance 6/30/2018	Fund Balance Percent
10	General Fund	\$ 11,687,358	\$ 136,114,680	\$ 135,734,230	\$ 380,450	\$ 12,067,808	8.89%
11	Insurance Fund	9,419,073	19,958,770	19,958,770	-	9,419,073	47.19%
20	Special Reserve	4,496,910	1,071,420	1,200,000	(128,580)	4,368,330	364.03%
30	Building Fund	25,038,534	5,174,040	22,731,390	(17,557,350)	7,481,184	32.91%
40	Sinking & Interest	6,605,861	16,406,920	17,134,660	(727,740)	5,878,121	34.31%
50	Food Service	1,634,348	6,330,040	6,478,180	(148,140)	1,486,208	22.94%
60	Student Activities	1,138,137	-	-	-	1,138,137	0.00%
61	Co-Curricular	(16)	3,197,960	3,197,960	-	(16)	0.00%
70	Trust and Agency	9,971	-	-	-	9,971	0.00%
80	Virtual CTE Center	-	862,150	862,150	-	-	0.00%
Total - All Funds		\$ 60,030,177	\$ 189,115,980	\$ 207,297,340	\$ (18,181,360)	\$ 41,848,816	20.19%

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS	
Cash and Investments	\$ 61,478,843
Accounts Receivable	276,942
Intergovernmental Receivable	1,433,463
Due from County Treasurer	417,080
Inventory	12,341
Prepaid Expenses	11,198
Taxes Receivable	2,351,545
Pledges Receivable	109,294
Capital Assets, Net	<u>253,857,366</u>
Total Assets	<u>\$ 319,948,072</u>
DEFERRED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 43,533,697</u>
LIABILITIES	
Accounts Payable	\$ 4,295,039
Benefits Payable	34,313
Revenue Received in Advance	130,200
Retainage Payable	1,898,256
Incurred but not Reported Claims	1,031,000
Interest Payable	978,220
Long-Term Liabilities	
Due Within One Year	
Long-Term Debt	12,119,906
Compensated Absences Payable	372,167
Due After One Year	
Long-Term Debt	196,766,318
Compensated Absences Payable	248,112
Net Pension and OPEB Liability	<u>147,252,945</u>
Total Liabilities	<u>\$ 365,126,476</u>
DEFERRED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 2,108,501</u>
NET POSITION	
Net Investment in Capital Assets	\$ 55,411,224
Restricted	
Special Purposes	6,194,363
Capital Projects	23,572,300
Unrestricted	<u>(88,931,095)</u>
Total Net Position	<u>\$ (3,753,208)</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Regular Instruction	\$ 72,903,750	\$ 173,026	\$ 426,163	\$ (72,304,561)
Federal Programs	3,508,367	-	6,262,023	2,753,656
Special Education	26,373,958	560,663	1,030,260	(24,783,035)
Career and Technical Education	2,596,171	-	456,888	(2,139,283)
School Administration	6,709,459	-	-	(6,709,459)
General Administration	4,279,710	-	-	(4,279,710)
Operations and Maintenance	14,721,102	109,294	-	(14,611,808)
Student Transportation	3,573,632	6,000	1,073,579	(2,494,053)
Co-curricular Activities	3,691,605	448,690	-	(3,242,915)
Other Programs and Services	1,281,144	69,202	-	(1,211,942)
School Food Services	6,372,306	3,485,460	3,307,447	420,601
Interest and Fees on Long-Term Debt	5,573,750	-	252,241	(5,321,509)
Total Governmental Activities	\$ 151,584,954	\$ 4,852,335	\$ 12,808,601	\$ (133,924,018)

General Revenues

Property Taxes

Levied for General Purposes	\$ 18,543,540
Levied for Tuition, Technology & Alternative Programs	2,018,462
Levied for Miscellaneous General Purposes	4,047,953
Levied for Capital Projects & Building Purposes	3,370,069
Levied for Special Reserve	1,011,997
Levied for Debt Service	14,734,770
Grants and Contributions Not Restricted to Specific Programs	
Per Pupil Foundation Aid	89,592,782
Other Grants and Contributions Not Restricted	811,234
Unrestricted Investment Earnings	709,899
Unrealized Loss	(28,831)
Miscellaneous Revenues	3,249,607

Total General Revenues \$ 138,061,482

Change in Net Position \$ 4,137,464

Net Position - July 1 \$ (6,613,523)

Prior Period Adjustments \$ (1,277,149)

Net Position - July 1, as restated \$ (7,890,672)

Net Position - June 30 \$ (3,753,208)

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Balance Sheet – Governmental Funds

June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 14,340,215	\$ 6,577,030	\$ 25,028,034	\$ 4,501,770	\$ 1,620,137	\$ 52,067,186
Accounts Receivable	175,567	-	1,000	-	-	176,567
Due from County Treasurer	233,434	125,155	48,835	9,656	-	417,080
Intergovernmental Receivable	1,389,943	-	-	-	43,520	1,433,463
Prepaid Items	1,698	-	9,500	-	-	11,198
Inventories	12,341	-	-	-	-	12,341
Taxes Receivable	1,315,228	706,286	275,603	54,428	-	2,351,545
Pledges Receivable	-	-	109,294	-	-	109,294
Total Assets	\$ 17,468,426	\$ 7,408,471	\$ 25,472,266	\$ 4,565,854	\$ 1,663,657	\$ 56,578,674
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 4,255,341	\$ -	\$ 1,710	\$ -	\$ 32,448	\$ 4,289,499
Benefits Payable	34,313	-	-	-	-	34,313
Revenue Received in Advance	127,500	-	-	-	2,700	130,200
Total Liabilities	\$ 4,417,154	\$ -	\$ 1,710	\$ -	\$ 35,148	\$ 4,454,012
Deferred Inflows of Resources						
Uncollected Taxes Receivable	\$ 1,315,228	\$ 706,286	\$ 275,603	\$ 54,428	\$ -	\$ 2,351,545
Pledges Receivable	-	-	109,294	-	-	109,294
Total Deferred Inflows of Resources	\$ 1,315,228	\$ 706,286	\$ 384,897	\$ 54,428	\$ -	\$ 2,460,839
Total Liabilities and Deferred Inflows of Resources	\$ 5,732,382	\$ 706,286	\$ 386,607	\$ 54,428	\$ 35,148	\$ 6,914,851
Fund Balances						
Non-Spendable						
Inventory	\$ 12,341	\$ -	\$ -	\$ -	\$ -	\$ 12,341
Prepaid Items	1,698	-	9,500	-	-	11,198
Restricted						
Special Reserve Levy	-	-	-	4,511,426	-	4,511,426
Debt Service	-	6,702,185	-	-	-	6,702,185
Capital Projects	-	-	24,694,248	-	-	24,694,248
Committed						
Capital Projects	-	-	381,911	-	-	381,911
Assigned						
Food Service	-	-	-	-	1,628,509	1,628,509
Unassigned						
General	11,722,005	-	-	-	-	11,722,005
Total Fund Balances	\$ 11,736,044	\$ 6,702,185	\$ 25,085,659	\$ 4,511,426	\$ 1,628,509	\$ 49,663,823
Total Liabilities and Fund Balances	\$ 17,468,426	\$ 7,408,471	\$ 25,472,266	\$ 4,565,854	\$ 1,663,657	\$ 56,578,674

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds \$ 49,663,823

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	\$ 309,314,597	
Less Accumulated Depreciation	<u>(55,457,231)</u>	253,857,366

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:

8,475,492

Some revenue will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are not available in the funds.

Taxes Receivable	\$ 2,351,545	
Pledges Receivable	<u>109,294</u>	2,460,839

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

(147,252,945)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions and OPEB	\$ 43,533,697	
Deferred Inflows Related to Pensions and OPEB	<u>(2,108,501)</u>	41,425,196

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 year end is made up of the following liabilities:

Long Term Debt	\$ (208,886,224)	
Interest Payable	(978,220)	
Retainage Payable	(1,898,256)	
Compensated Absences	<u>(620,279)</u>	<u>(212,382,979)</u>

Total Net Position - Governmental Activities \$ (3,753,208)

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local Sources	\$ 26,515,076	\$ 12,922,473	\$ 5,035,844	\$ 999,380	\$ 3,897,813	\$ 49,370,586
State Sources	93,390,906	-	-	-	71,618	93,462,524
Federal Sources	6,262,020	-	-	-	3,235,829	9,497,849
Other Sources	286,356	70,813	2,393,517	26,745	44,824	2,822,255
Total Revenues	\$ 126,454,358	\$ 12,993,286	\$ 7,429,361	\$ 1,026,125	\$ 7,250,084	\$ 155,153,214
EXPENDITURES						
Current						
Regular Instruction	\$ 69,659,673	\$ -	\$ -	\$ -	\$ -	\$ 69,659,673
Federal Programs	3,347,572	-	-	-	-	3,347,572
Special Education	24,860,721	-	-	-	-	24,860,721
Career and Technical Education	2,466,354	-	-	-	-	2,466,354
School Administration	6,318,024	-	-	-	-	6,318,024
General Administration	4,044,468	-	-	-	-	4,044,468
Operations and Maintenance	8,433,947	-	-	-	-	8,433,947
Student Transportation	3,401,717	-	-	-	-	3,401,717
Co-curricular Activities	404,062	-	-	-	2,777,184	3,181,246
Other Programs and Services	1,225,499	-	-	-	-	1,225,499
School Food Services	-	-	-	-	6,132,125	6,132,125
Capital Outlay	4,775	-	35,044,062	-	-	35,048,837
Debt Service						
Principal	2,266	9,136,318	1,411,755	-	-	10,550,339
Interest	232	5,663,157	469,060	-	-	6,132,449
Fiscal Charges, Costs and Fees	-	8,900	12,060	-	-	20,960
Total Expenditures	\$ 124,169,310	\$ 14,808,375	\$ 36,936,937	\$ -	\$ 8,909,309	\$ 184,823,931
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,285,048	\$ (1,815,089)	\$ (29,507,576)	\$ 1,026,125	\$ (1,659,225)	\$ (29,670,717)
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ 67,500	\$ 1,677,826	\$ -	\$ -	\$ 2,328,494	\$ 4,073,820
Sale of Land	-	-	384,795	-	-	384,795
Bond Proceeds	-	-	10,155,000	-	-	10,155,000
Lease Proceeds	13,584	-	-	-	-	13,584
Bond Premium	-	-	1,010,418	-	-	1,010,418
Loss on investment	-	(28,831)	-	-	-	(28,831)
Transfers Out	(2,328,493)	-	(1,677,827)	-	(67,500)	(4,073,820)
Total Other Financing Sources and Uses	\$ (2,247,409)	\$ 1,648,995	\$ 9,872,386	\$ -	\$ 2,260,994	\$ 11,534,966
Net Change in Fund Balances	\$ 37,639	\$ (166,094)	\$ (19,635,190)	\$ 1,026,125	\$ 601,769	\$ (18,135,751)
Fund Balances - July 1	\$ 11,698,405	\$ 6,868,279	\$ 44,720,849	\$ 3,485,301	\$ 1,026,740	\$ 67,799,574
Fund Balances - June 30	\$ 11,736,044	\$ 6,702,185	\$ 25,085,659	\$ 4,511,426	\$ 1,628,509	\$ 49,663,823

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (18,135,751)

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	\$ 35,333,147	
Current Year Depreciation Expense	<u>(5,768,437)</u>	29,564,710

In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

(425,112)

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.

10,550,339

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

(11,179,002)

New special assessment payables increase liabilities on the statement of net position, but is not accounted on the modified accrual basis.

(1,472,846)

Bond premium and discount amortization is a reduction and increase to interest expense, respectively, as they are amortized over the life of the outstanding bonds using the straight-line method.

627,886

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	\$ (44,759)	
Net Change in Retainage Payable	873,473	
Net Change in Interest Payable	<u>(48,227)</u>	780,487

The net pension and OPEB 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.

Change in Net Pension and OPEB Liability	\$ (10,168,806)	
Change in Deferred Outflows of Resources	1,905,757	
Change in Deferred Inflows of Resources	<u>(647,387)</u>	(8,910,436)

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 change in taxes receivable and pledges receivable.

Change in Taxes Receivable	\$ 488,741	
Change in Pledge Receivable	<u>109,294</u>	598,035

An internal service fund is used by the School 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.

2,139,154

Change in Net Position of Governmental Activities \$ 4,137,464

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Statement of Net Position - Proprietary Fund

June 30, 2018

	<u>Internal Service Fund</u>
ASSETS	
Current Assets	
Cash and Investments	\$ 9,411,657
Accounts Receivable	<u>100,375</u>
Total Assets	<u>\$ 9,512,032</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 5,540
Incurred but Not Reported Claims	<u>1,031,000</u>
Total Current Liabilities	<u>\$ 1,036,540</u>
NET POSITION	
Unrestricted	<u>\$ 8,475,492</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
For the year Ended June 30, 2018

	<u>Internal Service Fund</u>
REVENUES	
Operating Revenues	
Contributions to Self-Insurance	<u>\$ 18,210,694</u>
EXPENSES	
Operating Expenses	
Insurance Claims	<u>\$ 16,071,540</u>
Operating Income	<u>\$ 2,139,154</u>
Net Position - July 1	<u>\$ 6,336,338</u>
Net Position - June 30	<u><u>\$ 8,475,492</u></u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Statement of Cash Flows - Proprietary Fund

For the year Ended June 30, 2018

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from User Charges	\$ 18,188,477
Payments for Insurance Claims	<u>(15,916,060)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,272,417</u>
Cash and Cash Equivalents - July 1	<u>\$ 7,139,240</u>
Cash and Cash Equivalents - June 30	<u>\$ 9,411,657</u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Profit	\$ 2,139,154
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Increase in Accounts Receivable	(22,217)
Decrease in Accounts Payable	(4,520)
Increase in IBNR Claims Payable	<u>160,000</u>
Net Cash Provided by Operating Activities	<u>\$ 2,272,417</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and Investments	\$ 1,159,888
Accounts Receivable	<u>6,463</u>
Total Assets	<u>\$ 1,166,351</u>
LIABILITIES	
Accounts Payable	\$ 13,243
Deferred Revenue	5,000
Trust & Agency Consortium	9,971
Due to Student Activities Groups	<u>1,138,137</u>
Total Liabilities	<u>\$ 1,166,351</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of West Fargo Public School District No. 6 ("School District") 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 School District. 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 School District 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 School District.

B. Basis of Presentation, Basis of Accounting

Government-wide statements. The statement of net position and the statement of activities display information about the School District. 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 are generally 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 property 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 are 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 half 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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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. Other Post-Employment Benefits (OPEB)

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

J. 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 and discounts are amortized over the life of the bonds using the straight-line method.

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.

K. Fund Balances

Fund Balance Spending Policy

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

Minimum Fund Balance Policy

The School 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 School District. Unassigned General Fund Balance of \$11,736,044 at June 30, 2018 represented 9.45% of FY2018 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 School District to replenish funding deficiencies:

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

Non-spendable fund balances

Non-spendable fund balances consist of inventory and prepaid expenses in the general fund and prepaid expenses in the capital projects fund.

Restricted Fund Balances

Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state & federal governments for various grants & reimbursements).

Committed Fund Balances

Committed fund balance consists of land proceeds committed by the School Board for future construction projects.

Assigned Fund Balances

Assigned fund balance consists of amounts reported in the food service fund that are not restricted by enabling legislation or 3rd parties but have been assigned by the School Board for specific purposes.

Unassigned Fund Balances

Unassigned fund balance consists of amounts reported in the general fund.

L. 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, the 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, 2018, the School District's carrying amount of deposits was \$62,631,253, and the bank balances totaled \$67,120,087. Of the bank balances, \$30,856,366 was covered by Federal Depository Insurance or Securities Investor Protection Corporation Insurance, and \$2,122,688 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, 2018, the School District had certificates of deposit totaling \$19,596,740.

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

NOTE 3: TAXES RECEIVABLE

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.

NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GASB Statement No. 72, assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2018:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3	Total
Asset				
US Treasury Bond Strips	\$ -	\$ 2,122,688	\$ -	\$ 2,122,688

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

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

Governmental Activities	Balance Jul 1	Increases	Decreases	Transfers	Balance Jun 30
<i>Capital assets not being depreciated</i>					
Land	\$ 13,521,736	\$ 1,074,435	\$ 384,795	\$ -	\$ 14,211,376
Construction in Progress	49,307,990	33,164,377	-	(40,038,774)	42,433,593
Total Capital Assets, Not Being Depreciated	\$ 62,829,726	\$ 34,238,812	\$ 384,795	\$ (40,038,774)	\$ 56,644,969
<i>Capital assets being depreciated</i>					
Buildings	\$ 193,873,432	\$ -	\$ -	\$ 40,038,774	\$ 233,912,206
Equipment	3,900,669	689,870	230,358	-	4,360,181
Vehicles	4,322,677	365,236	69,025	-	4,618,888
Parking Lots	974,601	39,230	-	-	1,013,831
Land Improvements	8,764,523	-	-	-	8,764,523
Total Capital Assets, Being Depreciated	\$ 211,835,902	\$ 1,094,336	\$ 299,383	\$ 40,038,774	\$ 252,669,629
<i>Less Accumulated Depreciation for</i>					
Buildings	\$ 42,210,445	\$ 4,637,584	\$ -	\$ -	\$ 46,848,029
Equipment	2,534,243	315,888	205,045	-	2,645,086
Vehicles	2,130,308	303,846	54,020	-	2,380,134
Parking Lots	533,924	72,893	-	-	606,817
Land Improvements	2,538,940	438,226	-	-	2,977,166
Total Accumulated Depreciation	\$ 49,947,860	\$ 5,768,437	\$ 259,065	\$ -	\$ 55,457,232
Total Capital Assets Being Depreciated, Net	\$ 161,888,042	\$ (4,674,101)	\$ 40,318	\$ 40,038,774	\$ 197,212,397
Governmental Activities Capital Assets, Net	\$ 224,717,768	\$ 29,564,711	\$ 425,113	\$ -	\$ 253,857,366

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

Depreciation by Function	Total
Regular Instruction	\$ 114,492
Career & Tech. Ed.	5,261
General Administration	83,867
Food Service	51,861
Operations & Maintenance	4,787,906
Transportation	327,783
Co-Curricular	397,267
Total Depreciation by Function	\$ 5,768,437

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

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities - during the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term liabilities:

	Bal Jul 1 (Restated)	Increases	Decreases	Balance Jun 30	Due Within One Year
Long-Term Debt					
Bonds	\$ 190,866,630	\$ 10,155,000	\$ 9,136,318	\$ 191,885,312	\$ 11,002,486
Special Assessments	10,378,990	1,472,847	1,411,755	10,440,082	486,898
Leases Payable	330	13,584	2,266	11,648	2,636
Bond Discount	(679,413)	-	(48,530)	(630,883)	(48,529)
Bond Premium	6,846,064	1,010,416	676,415	7,180,065	676,415
Total Long-Term Debt	\$ 207,412,601	\$ 12,651,847	\$ 11,178,224	\$ 208,886,224	\$ 12,119,906
Compensated Absences **	\$ 575,520	\$ 44,759	\$ -	\$ 620,279	\$ 372,167
Net Pension and OPEB Liability	137,084,139	10,168,806	-	147,252,945	-
Total Long-Term Liabilities	\$ 345,072,260	\$ 22,865,412	\$ 11,178,224	\$ 356,759,448	\$ 12,492,073

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

Outstanding debt at June 30, 2018 consists of the following issuances:

General Obligation and lease Revenue Bonds

\$2,500,000 School Building Bonds 2002B, due in annual installments of \$133,133 to \$137,167 through June 2022; interest at 1.0%.	\$ 540,572
\$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 \$129,217 to \$137,167 through June 1, 2025; interest at 1.0%.	932,112
\$67,200,000 State School G.O. Bonds of 2011, due in annual installments of \$2,385,000 to \$6,320,000 through May 2031; interest at 3.0% to 4.0%.	53,505,000
\$4,000,000 State School Construction Bonds of 2011, due in annual installments of \$189,280 to \$239,207 through May 2031; interest at 1.97%.	2,773,568
\$2,260,000 State School Construction Bonds, Series 2013A, due in annual installments of \$100,000 to \$150,000 through May 1, 2033; interest at 4.0%.	1,810,000
\$16,045,000 General Obligation School Building Bonds, Series 2013B, due in annual installments of \$3,350,000 to \$3,535,000 through May 1, 2020; interest at 3.0% to 4.0%.	6,885,000

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

General Obligation and lease Revenue Bonds - Continued

\$9,400,000 Limited Tax School Building Bonds, Series 2013/2015, due in annual installments of \$464,360 to \$551,041 through May 1, 2033; interest at 1.23%.	\$ 7,598,300
\$2,205,000 Limited Tax School Building Fund Refunding Bonds, Series 2015, due in annual installments of \$555,000 to \$565,000 through November 1, 2020; interest at 1.0% to 1.5%.	1,120,000
\$9,040,000 State School Construction Bonds, Series 2015, due in annual installments of \$431,497 to \$495,995 through May 1, 2033; interest at 1.0%.	6,945,760
\$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
\$45,000,000 General Obligation School Building Bonds, Series 2017A, due in annual installments of \$1,795,000 to \$2,935,000 through November 1, 2036; interest at 2.0% to 4.0%.	41,520,000
\$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
\$10,155,000 Limited Tax School Building Fund Bonds, Series 2018 (Bond QQ), due in annual installments of \$250,000 to \$735,000 through August 1, 2038; interest at 4.0% to 5.0%.	<u>10,155,000</u>
Total Bonds Payable	<u>\$ 191,885,312</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 2042 with interest at 4.0% to 7.0%.	<u>\$ 10,440,082</u>
 Capital Leases Payable	
Postage Machine Lease – due in monthly installments of \$240 through Sept, 2022, interest at 2.37%.	<u>\$ 11,648</u>
Total Long-Term Debt (Gross)	<u><u>\$ 202,337,042</u></u>

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

The annual long-term debt service requirements at June 30, 2018, are as follows:

Year Ending Jun 30	Long-Term Debt							
	Bonds Payable		Special Assess. Pay.		Leases Payable		Bond	Bond
	Principal	Interest	Principal	Interest	Principal	Interest	Discount	Premium
2019	\$ 11,002,486	\$ 6,123,707	\$ 486,898	\$ 441,760	\$ 2,636	\$ 247	\$ 48,529	\$ 676,415
2020	12,078,865	5,968,870	489,100	421,249	2,700	184	48,528	674,917
2021	8,420,458	5,605,328	487,628	400,635	2,764	120	48,530	414,437
2022	8,812,266	5,341,020	489,423	380,096	2,830	53	48,530	414,437
2023	9,105,755	5,062,318	491,762	359,467	718	3	242,648	414,437
2024-2028	57,456,227	20,293,655	2,457,735	1,486,618	-	-	194,118	2,068,933
2029-2033	56,289,255	9,563,334	2,470,675	966,847	-	-	-	1,763,592
2034-2038	27,985,000	1,981,784	2,249,923	452,983	-	-	-	752,897
2039-2042	735,000	14,700	816,938	72,935	-	-	-	-
Total	\$ 191,885,312	\$ 59,954,716	\$ 10,440,082	\$ 4,982,590	\$ 11,648	\$ 607	\$ 630,883	\$ 7,180,065

NOTE 7: 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, 2018:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 67,500	\$ 2,328,493
Capital Projects	-	1,677,827
Debt Service	1,677,826	-
Nonmajor Funds		
Food Service	-	67,500
Co-Curricular	2,328,494	-
Total Transfers	\$ 4,073,820	\$ 4,073,820

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 8: RISK MANAGEMENT

The School District 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 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 School District 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 School District has workers compensation with the Workforce, Safety and Insurance. The School District 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 9: PENSION PLANS - ND TFFR

General Information about the TFFR Pension Plan

North Dakota Teachers' Fund for Retirement (TFFR)

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2018, the School District reported a liability of \$119,500,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2017, the School District's proportion was 8.700255%, which was an increase of .457680% from its proportion measured as of June 30, 2016.

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Notes to the Financial Statements – Continued

For the year ended June 30, 2018, the district recognized net pension expense of \$13,482,291. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 458,368	\$ 1,304,512
Changes of Assumptions	8,517,532	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,650,634	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	10,450,487	-
District Contributions Subsequent to the Measurement Date	7,720,070	-
Total Deferred Outflows and Inflows of Resources	\$ 28,797,091	\$ 1,304,512

\$7,720,070, reported as deferred outflows of resources and deferred inflows 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, 2019.

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	\$ 4,041,573
2019	6,630,663
2020	5,009,623
2021	2,165,758
2022	1,260,219
Thereafter	664,673

Actuarial Assumptions

The total pension liability in the July 1, 2017 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, 2017 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.

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

- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58%	6.7%
Global Fixed Income	23%	0.8%
Global Real Assets	18%	5.2%
Cash Equivalents	1%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2017. 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, 2017, 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, 2017. 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, 2017.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District’s Proportionate Share of the Net Pension Liability	\$ 158,877,701	\$ 119,500,250	\$ 86,719,708

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 <http://www.nd.gov/rio/sib/publications/cafr/default.htm>.

NOTE 10: PENSION PLANS - ND PERS

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (NDPERS) (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability 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

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

as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently re-employed, they have the option of repurchasing their previous service.

Member and Employer Contributions

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

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

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

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

At June 30, 2018, the School District reported a liability of \$26,521,108 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the district's proportion was 1.650012 percent, which is an increase of .101749 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized net pension expense of \$4,480,616. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 157,640	\$ 129,216
Changes of Assumptions	10,875,444	598,173
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	356,687	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,732,327	(3)
District Contributions Subsequent to the Measurement Date	1,288,689	-
Total Deferred Outflows and Inflows of Resources	\$ 14,410,787	\$ 727,386

\$1,288,689, 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, 2019.

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	\$ 2,778,200
2019	3,267,619
2020	2,893,430
2021	2,283,153
2022	1,172,310

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
	41 – 49	6.00%
50+	5.00%	
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost Scale from 2014. For disabled retirees, mortality rates are based on the RP-2000 Disabled Retiree Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	(0.45%)
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required. The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after

that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the School 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate.

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
School District’s Proportionate Share of the Net Pension Liability	\$ 36,003,215	\$ 26,521,108	\$ 18,632,390

Pension Plan Fiduciary Net Position

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

NOTE 11: OTHER POST EMPLOYMENT BENEFITS (OPEB) - ND PERS

General Information about the OPEB Plan

North Dakota Public Employees Retirement System OPEB Plan

The following brief description of NDPERS OPEB plan is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the Public Employees Retirement System (PERS), the Highway Patrol Retirement System (HPRS), and Judges retired under chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member’s years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/ temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as “*prefunded credit applied*” on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member

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Notes to the Financial Statements – Continued

selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for select coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of \$1,231,587 for its proportionate share of net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The district's proportion of the net OPEB liability was based on the district's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the district's proportion was 1.556979 percent.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$148,485. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 30,037
Changes of Assumptions	119,286	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	46,566
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	198	-
Employer Contributions Subsequent to the Measurement Date	206,335	-
Total Deferred Outflows and Inflows of Resources	\$ 325,819	\$ 76,603

\$206,335 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

2018	\$ 2,361
2019	2,361
2020	2,361
2021	2,361
2022	14,002
2023	14,002
Thereafter	5,433

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, 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 set back two years for males and three years for females, projected generationally using the

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Financial Statements – Continued

SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the Retiree Health Insurance Credit (RHIC) fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumes that member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS Actuarial Valuation Reports. For this purpose, only district contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected district contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the district's proportionate share of the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$ 1,541,797	\$ 1,231,587	\$ 965,682

NOTE 12: COMMITMENTS

The School District had the following commitments for construction contracts as of June 30, 2017.

Project	Original Contract	Change Orders	Total Contract	Total Completed	Retainages Payable	Remaining Balance
Aquatics Facility	\$ 18,172,140	\$ -	\$ 18,413,730	\$ 18,434,645	\$ 922,716	\$ 901,801
Willow Park Elementary	11,407,435	(104,289)	11,379,129	11,123,222	567,450	823,357
Osgood Kg to Osgood Elem.	1,959,168	67,878	2,024,870	1,962,521	100,905	163,254
Transportation Facility	5,369,565	63,804	6,002,934	5,996,590	140,222	146,566
Central Kitchen	1,354,758	71,486	1,354,758	156,564	15,656	1,213,850
Cheney MS Addition (Music/Dram)	983,028	-	983,028	237,599	23,367	768,796
Deer Creek Elementary	11,956,181	-	11,956,181	1,004,909	99,790	11,051,062
Security System Upgrade	758,650	-	758,650	551,558	28,150	235,242
Sound System Upgrade	88,880	114,715	88,880	88,196	-	684
Lodoen Center Re-roof	261,870	14,507	261,870	-	-	261,870
WFHS Softball Complex-Ph 2	394,209	-	394,209	-	-	394,209
Total	\$ 52,705,884	\$ 228,101	\$ 53,618,239	\$ 39,555,804	\$ 1,898,256	\$ 15,960,691

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

NOTE 13: 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, 2017.

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.

Reduction in taxes due to agreements with other entities – \$156,859

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.

Reduction in taxes due to agreements with other entities – \$889,091

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.

Reduction in taxes due to agreements with other entities – \$710,433

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.

Reduction in taxes due to agreements with other entities – \$38,227

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,

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

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.

Reduction in taxes due to agreements with other entities – \$29,010

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 75 - OPEB

Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

Additionally, there was an adjustment to compensated absences payable.

	Amounts
Beginning net position, as previously reported	\$ (6,613,523)
Adjustments to restate the July 1, 2017 net position	
Beginning Net OPEB Liability	(1,236,250)
Compensated Absences	(40,899)
Net Position July 1, as restated	<u>(7,890,672)</u>

NOTE 15: SUBSEQUENT EVENTS

- 1) Superintendent Beth Slette assumed her role on July 1, 2018. Her promotion created a vacancy for the Assistant Superintendent for Elementary Education, which was filled by Dr. Rachael Agre.
- 2) The School District has entered into an agreement to sell a portion of its site for the new middle school/high school along 76th Ave S to the Cass Rural Water Users District for the construction of a water tower. The agreement is for approximately ½ acre with a sale price of \$25,000.
- 3) A bond referendum for \$106,900,000 of school construction was approved by the voters on September 25, 2018. This has resulted in contracts to hire YHR Partners for the design of the middle school, JLG Architects for the design of the high school and MBN Engineering for the design of the athletic amenities for the new middle/high school site & artificial turf for the two existing high schools.
- 4) The Lodoen Kindergarten Center was repurposed as the Early Childhood Center, which now houses the district's Early Childhood Special Education program, SENDCAA Head Start and a YMCA Pre-kindergarten program for 4-year olds.
- 5) The School District was awarded a Striving Readers Comprehensive Literacy (SRCL) grant over three years in the amount of \$4,280,631.57, with annual amounts as follows: 1,563,709.17 for 2018-19; \$1,345,026.62 for 2019-20; and \$1,371,895.78 for 2020-21.
- 6) The School District entered into a multi-year sponsorship agreement with Essentia Health West effective on July 1, 2018. The agreement includes the naming and advertising rights for the main ice rink at the West Fargo Sports Arena in exchange for a sponsorship fee of \$650,000 payable in 15 installments. The first installment is \$125,000 and the 14 remaining installments are \$37,500.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 26,227,290	\$ 26,782,010	\$ 26,515,076	\$ (266,934)
State Sources	92,744,060	92,443,070	93,390,906	947,836
Federal Sources	5,275,820	6,247,230	6,262,020	14,790
Other Sources	285,000	285,000	286,356	1,356
Total Revenues	<u>\$ 124,532,170</u>	<u>\$ 125,757,310</u>	<u>\$ 126,454,358</u>	<u>\$ 697,048</u>
EXPENDITURES				
Current				
Regular Instruction	\$ 68,744,626	\$ 68,801,559	\$ 69,659,673	\$ (858,114)
Federal Programs	2,674,770	3,478,630	3,347,572	131,058
Special Education	23,660,585	24,059,295	24,860,721	(801,426)
Career and Technical Education	2,555,490	2,482,215	2,466,354	15,861
School Administration	6,387,884	6,563,871	6,318,024	245,847
General Administration	4,034,870	4,135,320	4,030,884	104,436
Operations and Maintenance	8,496,730	8,616,690	8,433,947	182,743
Student Transportation	3,269,543	3,260,479	3,401,717	(141,238)
Co-curricular Activities	380,112	379,026	404,062	(25,036)
Other Programs and Services	1,354,620	1,441,595	1,225,499	216,096
Capital Outlay	-	-	4,775	(4,775)
Debt Service				
Principal	-	-	2,266	(2,266)
Interest	-	-	232	(232)
Total Expenditures	<u>\$ 121,559,230</u>	<u>\$ 123,218,680</u>	<u>\$ 124,155,726</u>	<u>\$ (937,046)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,972,940</u>	<u>\$ 2,538,630</u>	<u>\$ 2,298,632</u>	<u>\$ (239,998)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 667,500	\$ 667,500	\$ 67,500	\$ (600,000)
Transfers Out	(2,649,780)	(2,660,970)	(2,328,493)	332,477
Total Other Financing Sources and Uses	<u>\$ (1,982,280)</u>	<u>\$ (1,993,470)</u>	<u>\$ (2,260,993)</u>	<u>\$ (267,523)</u>
Net Changes in Fund Balances	<u>\$ 990,660</u>	<u>\$ 545,160</u>	<u>\$ 37,639</u>	<u>\$ (507,521)</u>
Fund Balance - July 1	<u>\$ 11,698,405</u>	<u>\$ 11,698,405</u>	<u>\$ 11,698,405</u>	<u>\$ -</u>
Fund Balance - June 30	<u>\$ 12,689,065</u>	<u>\$ 12,243,565</u>	<u>\$ 11,736,044</u>	<u>\$ (507,521)</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Budgetary Comparison Schedule - Special Reserve Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources	\$ 1,015,160	\$ 1,017,110	\$ 999,380	\$ (17,730)
Other Sources	7,500	7,500	26,745	19,245
Total Revenues	<u>\$ 1,022,660</u>	<u>\$ 1,024,610</u>	<u>\$ 1,026,125</u>	<u>\$ 1,515</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (600,000)	\$ (600,000)	\$ -	\$ 600,000
Net Changes in Fund Balances	<u>\$ 422,660</u>	<u>\$ 424,610</u>	<u>\$ 1,026,125</u>	<u>\$ 601,515</u>
Fund Balance - July 1	<u>\$ 3,485,301</u>	<u>\$ 3,485,301</u>	<u>\$ 3,485,301</u>	<u>\$ -</u>
Fund Balance - June 30	<u>\$ 3,907,961</u>	<u>\$ 3,909,911</u>	<u>\$ 4,511,426</u>	<u>\$ 601,515</u>

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended June 30, 2018

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

ND TFFR - Pension	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	8.700255%	8.242575%	7.825079%	7.495843%
School District's proportionate share of the net pension liability (asset)	\$ 119,500,250	\$ 120,758,557	\$ 102,340,701	\$ 78,543,146
School District's covered-employee payroll	\$ 58,724,231	\$ 53,554,062	\$ 48,132,439	\$ 43,479,882
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	203.49%	225.49%	212.62%	180.64%
Plan fiduciary net position as a percentage of the total pension liability	63.20%	59.20%	62.10%	66.60%

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

ND TFFR - Pension	2018	2017	2016	2015
Statutorily required contribution	\$ 7,487,341	\$ 6,828,144	\$ 6,136,591	\$ 4,674,044
Contributions in relation to the statutorily required contribution	\$ 7,487,341	\$ 6,828,144	\$ 6,136,591	\$ 4,674,044
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 60,539,948	\$ 58,724,231	\$ 53,554,062	\$ 48,132,439
Contributions as a percentage of covered-employee payroll	12.37%	11.63%	11.46%	9.71%

**Schedule of Employer's Share of Net Pension Liability
 ND Public Employee's Retirement System
 Last 10 Fiscal Years**

ND PERS - Pension	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	1.650012%	1.548263%	1.426185%	1.291697%
District's proportionate share of the net pension liability (asset)	\$ 26,521,108	\$ 15,089,332	\$ 15,089,332	\$ 8,198,677
School District's covered-employee payroll	\$ 16,844,034	\$ 15,602,834	\$ 12,705,578	\$ 10,880,989
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	118.76%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended June 30, 2018**Schedule of Employer Contributions
ND Public Employee's Retirement System
Last 10 Fiscal Years**

ND PERS - Pension	2018	2017	2016	2015
Statutorily required contribution	\$ 1,221,398	\$ 1,129,620	\$ 965,090	\$ 774,726
Contributions in relation to the statutorily required contribution	\$ 1,224,313	\$ 1,112,998	\$ 956,975	\$ 774,726
Contribution deficiency (excess)	\$ (2,915)	\$ 16,622	\$ 8,115	\$ -
School District's covered-employee payroll	\$ 18,044,177	\$ 16,844,034	\$ 15,602,834	\$ 12,705,578
Contributions as a percentage of covered-employee payroll	6.79%	6.61%	6.13%	6.10%

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended June 30, 2018

**Schedule of Employer's Share of Net OPEB Liability
 ND Public Employees Retirement System
 Last 10 Fiscal Years**

NDPERS - OPEB	2018
School District's proportion of the net OPEB liability (asset)	1.556979%
School District's proportionate share of the net OPEB liability (asset)	\$ 1,231,587
School District's covered-employee payroll	\$ 16,844,034
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

NDPERS - OPEB	2018
Statutory required contribution	\$ 195,800
Contributions in relation to the statutory required contribution	\$ 196,029
Contribution deficiency (excess)	\$ (229)
School District's covered-employee payroll	\$ 18,044,177
Contributions as a percentage of covered-employee payroll	1.09%

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

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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

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

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

NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

NOTE 3: LEGAL COMPLIANCE – BUDGETS

Budget Amendments

The School Board amended the School District budget for 2018 as follows:

REVENUES/TRANSFER IN			
	Original Budget	Budget Amendment	Amended Budget
General Fund	\$ 125,199,670	\$ 1,225,140	\$ 126,424,810
Special Reserve	1,022,660	1,950	1,024,610
Capital Projects	5,739,000	13,058,770	18,797,770
Debt Service	14,787,890	-	14,787,890

EXPENDITURES/TRANSFER OUT			
	Original Budget	Budget Amendment	Amended Budget
General Fund	\$ 124,209,010	\$ 1,670,640	\$ 125,879,650
Capital Projects	44,801,310	142,420	44,943,730
Debt Service	14,882,490	-	14,882,490

NOTE 4: CHANGES OF ASSUMPTIONS

North Dakota Teachers' Fund for Retirement (TFFR)

Amounts reported in 2016 and later reflect the following actuarial assumption changes 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.

North Dakota Public Employees Retirement System (NDPERS)

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.

NOTE 5: BUDGET TO ACTUAL RECONCILIATION

The School District entered into a capital lease agreement for a copier during FY2018. The expenditures and lease proceeds are not included in the general fund budgetary comparison schedule, but are included in the combined statement of revenues, expenditures and changes in fund balances. The reconciliation is provided below:

	Combined Statement	Adjustment	Budget to Actual Statement
General Fund			
Expenditures	\$ 124,169,310	\$ (13,584)	\$ 124,155,726
Lease Financing	13,584	(13,584)	-

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6Combining Balance Sheet - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	Food Service	Co-Curricular	Total Nonmajor Governmental Funds
ASSETS			
Cash and Investments	\$ 1,612,273	\$ 7,864	\$ 1,620,137
Intergovernmental Receivable	43,520	-	43,520
Total Assets	<u>\$ 1,655,793</u>	<u>\$ 7,864</u>	<u>\$ 1,663,657</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 24,584	\$ 7,864	\$ 32,448
Deferred Inflows of Resources			
Revenue Received in Advance	\$ 2,700	\$ -	\$ 2,700
Total Liabilities and Deferred Inflows of Resources	<u>\$ 27,284</u>	<u>\$ 7,864</u>	<u>\$ 35,148</u>
Fund Balances			
Assigned Food Service	\$ 1,628,509	\$ -	\$ 1,628,509
Total Liabilities and Fund Balances	<u>\$ 1,655,793</u>	<u>\$ 7,864</u>	<u>\$ 1,663,657</u>

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2018

	Food Service Fund	Co-Curricular	Total Nonmajor Governmental Funds
REVENUES			
Local Sources	\$ 3,449,123	\$ 448,690	\$ 3,897,813
State Sources	71,618	-	71,618
Federal Sources	3,235,829	-	3,235,829
Other Sources	44,824	-	44,824
Total Revenues	<u>\$ 6,801,394</u>	<u>\$ 448,690</u>	<u>\$ 7,250,084</u>
EXPENDITURES			
Current			
School Food Services	\$ 6,132,125	\$ -	\$ 6,132,125
Co-curricular	-	2,777,184	2,777,184
Total Expenditures	<u>\$ 6,132,125</u>	<u>\$ 2,777,184</u>	<u>\$ 8,909,309</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 669,269</u>	<u>\$ (2,328,494)</u>	<u>\$ (1,659,225)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -	\$ 2,328,494	\$ 2,328,494
Transfers Out	(67,500)	-	(67,500)
Total Other Financing Sources and Uses	<u>\$ (67,500)</u>	<u>\$ 2,328,494</u>	<u>\$ 2,260,994</u>
Net Change in Fund Balances	<u>\$ 601,769</u>	<u>\$ -</u>	<u>\$ 601,769</u>
Fund Balances - July 1	<u>\$ 1,026,740</u>	<u>\$ -</u>	<u>\$ 1,026,740</u>
Fund Balances - June 30	<u><u>\$ 1,628,509</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,628,509</u></u>

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the State Department of Public Instruction			
Child Nutrition Cluster			
10.555	National School Lunch Program	N/A	\$ 1,900,893
10.555	National School Lunch Program, Commodities	N/A	475,341 **
10.553	School Breakfast Program	N/A	530,467
10.556	Special Milk Program for Children	N/A	1,957
10.559	Summer Food Service Program for Children	N/A	46,052
	Total Child Nutrition Cluster		<u>\$ 2,954,710</u>
10.582	Fresh Fruit and Vegetable Program	N/A	\$ 221,354
10.560A	State Administrative Expenses for Child Nutrition	N/A	6,900
10.574	Team Nutrition Grants	N/A	<u>11,512</u>
Total U.S. Department of Agriculture			<u>\$ 3,194,476</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the State Department of Public Instruction:			
Special Education Cluster			
84.027	Special Education-Basic Grants to States	N/A	\$ 2,063,698
84.173	Special Education-Preschool Grants	N/A	37,726
	Total Special Education Cluster		<u>\$ 2,101,424</u>
84.002	Adult Education - Basic Grants to States	N/A	
84.010	Title I Grants to Local Education Agencies	N/A	2,394,638
84.287C	Twenty-First Century Community Learning Centers	N/A	190,343
84.369	Grants for State Assessments and Related Activities	N/A	
84.365A	English Language Acquisition State Grants	N/A	98,719
84.367A	Supporting Effective Instruction State Grant	N/A	601,079
84.424A	Student Support and Academic Enrichment Program	N/A	62,806
Passed through the State Board of Vocational Education			
84.004	Civil Rights Training and Advisory Services	N/A	
84.048A	Career and Technical Education -- Basic Grants to States	N/A	<u>150,641</u>
Total U.S. Department of Education			<u>\$ 5,599,650</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
Passed through State Department of Human Services			
93.566	Refugee and Entrant Assistance State/Replacement Designee	N/A	<u>\$ 47,983</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,842,109</u></u>

** - Noncash Assistance

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

NOTE 1: BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District under programs of the federal government for the year ended June 30, 2018. 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 School District, it is not intended to and does not present the financial position or changes in net position of the School District. Expenditures represent only the federally funded portions of the program. School 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: NON-CASH 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: PASS-THROUGH GRANT NUMBER

For Federal programs marked "N/A", the School District was unable to obtain a pass-through grant number.

STATE AUDITOR

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

Independent Auditor’s Report

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, 2018, 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 December 5, 2018.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is 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
December 5, 2018

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 program for the year ended June 30, 2018. The West Fargo Public School District No. 6's major federal program is 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 program 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 program for the year ended June 30, 2018.

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

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 - 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 the 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, 2018, and have issued our report thereon dated December 5, 2018, 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
December 5, 2018

WEST FARGO PUBLIC SCHOOL DISTRICT NO. 6

Summary of Auditor’s Results, Findings, and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified? Yes X None Noted
Significant deficiencies identified not considered to be material weaknesses? Yes X None Noted
Noncompliance material to financial statements noted? Yes X None Noted

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified? Yes X None noted
Reportable conditions identified not considered to be material weaknesses? Yes X None noted
Type of Auditor’s Report Issued on compliance for major programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements? Yes X None noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
10.555, 10.553, 10.559	Child Nutrition 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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GOVERNANCE COMMUNICATION

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Fargo Public School District No. 6, North Dakota, and the respective changes in financial position for the year ended June 30, 2018 which collectively comprise the West Fargo Public School District No. 6's basic financial statements, and have issued our report thereon dated December 5, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards

As stated in our engagement letter dated October 1, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

In planning and performing our audit, we considered the West Fargo Public School District No. 6's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting.

As part of obtaining reasonable assurance about whether the West Fargo Public School District No. 6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, 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.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the West Fargo Public School District No. 6 are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2018.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the School Board and management of West Fargo Public School District No. 6, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of West Fargo Public School District No. 6 for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve West Fargo Public School District No. 6.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
December 5, 2018

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