



City of West Fargo
West Fargo, North Dakota

Audit Report

For the Year Ended December 31, 2016

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

CITY OF WEST FARGO
West Fargo, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2016

	<u>Page(s)</u>
City Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	11
Statement of Cash Flows - Proprietary Funds	12
Statement of Fiduciary Assets and Liabilities - Agency Funds	13
Notes to the Financial Statements	14 - 41
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
General Fund	42
Sales Tax Fund	43
Pension Schedules	44
Notes to the Required Supplementary Information	45 - 46
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	47 - 48
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49 - 50
Schedule of Findings and Questioned Costs	51
Management's Letter	52 - 54

CITY OF WEST FARGO
West Fargo, North Dakota

CITY OFFICIALS

December 31, 2016

President / Mayor	Rich Mattern
Vice-President	Mike Thorstad
Commissioner	Mark Wentz
Commissioner	Mark Simmons
Commissioner	Duane Hanson
City Administrator	Tina Fisk
Finance Director	Aaron Mitchell
Police Chief	Michael D. Reitan
Public Works Director	Chris Brungardt
Planning Director	Larry Weil
Human Resources Director	Jenna Wilm
City Attorney	John Schockley

STATE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT

City Commission
City of West Fargo
West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City'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 includes 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 42-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

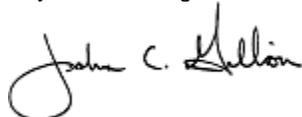
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Fargo's basic financial statements. The *schedule of fund activity* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the City of West Fargo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of West Fargo's internal control over financial reporting and compliance.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 31, 2017

CITY OF WEST FARGO
West Fargo, North Dakota
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 19,192,676	\$ 11,656,854	\$ 30,849,530
Accounts receivable	452,385	-	452,385
Utility billings receivable	-	957,753	957,753
Intergovernmental receivable	1,435,042	-	1,435,042
Other asset	-	5,201	5,201
Storefront loans receivable	109,358	-	109,358
TIF long-term loan receivable	1,883,000	-	1,883,000
Taxes receivable	101,412	-	101,412
Special assessments receivable - current	669,616	-	669,616
Long-Term Receivable:			
Long-term special assessments receivable	193,279,418	-	193,279,418
Capital Assets not being depreciated:			
Land	14,654,817	1,620,111	16,274,928
Construction in progress	69,604,194	-	69,604,194
Capital Assets being depreciated:			
Improvements to land	10,950	-	10,950
Buildings	11,572,485	3,374,851	14,947,336
Equipment	2,330,964	2,671,465	5,002,429
Infrastructure	74,220,999	258,086,192	332,307,191
Total Capital Assets	<u>\$ 172,394,409</u>	<u>\$ 265,752,619</u>	<u>\$ 438,147,028</u>
Total Assets	<u>\$ 389,517,316</u>	<u>\$ 278,372,427</u>	<u>\$ 667,889,743</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	\$ 1,989,176	\$ 639,931	\$ 2,629,107
Total Assets & Deferred Outflows of Resources	<u>\$ 391,506,492</u>	<u>\$ 279,012,358</u>	<u>\$ 670,518,850</u>
LIABILITIES:			
Accounts & accrued expenses payable	\$ 122,739	\$ 292,553	\$ 415,292
Construction payable	926,864	-	926,864
Retainages payable	1,104,051	-	1,104,051
Interest payable	1,296,903	107,219	1,404,122
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Bonds payable	14,350,000	630,000	14,980,000
Compensated absences	151,066	52,211	203,277
Portion Due or Payable After One Year:			
Bonds payable	220,990,000	13,240,000	234,230,000
Drawdowns payable	6,691,805	-	6,691,805
Compensated absences	1,359,599	469,900	1,829,499
Net pension liability	5,251,658	1,689,493	6,941,151
Total Liabilities	<u>\$ 252,244,685</u>	<u>\$ 16,481,376</u>	<u>\$ 268,726,061</u>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	\$ 309,528	\$ 99,577	\$ 409,105
Total Liabilities & Deferred Inflows of Resources	<u>\$ 252,554,213</u>	<u>\$ 16,580,953</u>	<u>\$ 269,135,166</u>
NET POSITION:			
Net investment in capital assets	\$ 122,537,971	\$ 251,882,619	\$ 374,420,590
Restricted for:			
Culture & recreation	349,677	-	349,677
Economic development	487,412	-	487,412
Other special purposes	315,001	-	315,001
Building/capital projects	10,714,243	-	10,714,243
Debt service	26,119,309	-	26,119,309
Loans	1,992,358	-	1,992,358
Unrestricted	<u>(23,563,692)</u>	<u>10,548,786</u>	<u>(13,014,906)</u>
Total Net Position	<u>\$ 138,952,279</u>	<u>\$ 262,431,405</u>	<u>\$ 401,383,684</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 3,212,712	\$ 1,695,819	\$ 206,484	\$ -	\$ (1,310,409)		\$ (1,310,409)
Public safety	7,283,491	369,272	791,429	-	(6,122,790)		(6,122,790)
Public works/streets	7,861,666	1,519,513	4,820,201	62,524,153	61,002,201		61,002,201
Economic development	548,218	-	-	-	(548,218)		(548,218)
Culture and recreation	1,092,436	44,038	-	-	(1,048,398)		(1,048,398)
Miscellaneous/other	198,958	-	31,699	-	(167,259)		(167,259)
Interest & costs on long-term debt	7,476,183	-	-	-	(7,476,183)		(7,476,183)
Total Governmental Activities	\$ 27,673,664	\$ 3,628,642	\$ 5,849,813	\$ 62,524,153	\$ 44,328,944		\$ 44,328,944
Business-Type Activities:							
Water and sewer	\$ 14,445,565	\$ 8,587,485	\$ -	\$ -	\$ -	\$ (5,858,080)	\$ (5,858,080)
Health and sanitation	3,754,524	3,435,619	-	-	-	(318,905)	(318,905)
Total Business-Type Activities	\$ 18,200,089	\$ 12,023,104	\$ -	\$ -	\$ -	\$ (6,176,985)	\$ (6,176,985)
Total Primary Government	\$ 45,873,753	\$ 15,651,746	\$ 5,849,813	\$ 62,524,153	\$ 44,328,944	\$ (6,176,985)	\$ 38,151,959
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 7,047,300	\$ -	\$ 7,047,300
Property taxes, levied for debt service					1,522,849	-	1,522,849
Property taxes, levied for special purposes					1,941,512	-	1,941,512
Sales taxes					9,964,013	-	9,964,013
State aid distribution & other unrestricted revenues					1,796,925	-	1,796,925
Unrestricted investment interest earnings					147,869	13,900	161,769
Miscellaneous income					200,181	238,762	438,943
Bond premium					109,139	-	109,139
Transfers					(14,358,964)	14,358,964	-
Total General Revenues and Transfers					\$ 8,370,824	\$ 14,611,626	\$ 22,982,450
Change in Net Position					\$ 52,699,768	\$ 8,434,641	\$ 61,134,409
Net Position - January 1					\$ 86,566,648	\$ 253,822,437	\$ 340,389,085
Prior Period Adjustments					(314,137)	174,327	(139,810)
Net Position - January 1, as restated					\$ 86,252,511	\$ 253,996,764	\$ 340,249,275
Net Position - December 31					\$ 138,952,279	\$ 262,431,405	\$ 401,383,684

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

CITY OF WEST FARGO
West Fargo, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 7,217,912	\$ 9,640,353	\$ -	\$ -	\$ 2,334,411	\$ 19,192,676
Accounts receivable	179,479	-	-	251,774	21,132	452,385
Intergovernmental receivable	506,378	779,033	-	-	149,631	1,435,042
TIF long-term receivable	285,381	-	1,597,619	-	-	1,883,000
Storefront loans receivable	-	-	-	-	109,358	109,358
Taxes receivable	53,583	-	31,212	-	16,617	101,412
Special assessments receivable - current	-	-	669,616	-	-	669,616
Special assessments receivable - deferred	-	-	193,279,418	-	-	193,279,418
Due from other city funds	14,384,017	-	26,715,384	-	-	41,099,401
Total Assets	\$ 22,626,750	\$ 10,419,386	\$ 222,293,249	\$ 251,774	\$ 2,631,149	\$ 258,222,308
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Liabilities:						
Accounts & accrued expenses payable	\$ 116,873	\$ -	\$ -	\$ -	\$ 5,866	\$ 122,739
Construction payable	-	-	-	926,864	-	926,864
Due to other city funds	-	-	-	41,099,401	-	41,099,401
Total Liabilities	\$ 116,873	\$ -	\$ -	\$ 42,026,265	\$ 5,866	\$ 42,149,004
Deferred Inflows of Resources						
Deferred taxes & special assmts. rec.	\$ 53,583	\$ -	\$ 193,980,246	\$ -	\$ 16,617	\$ 194,050,446
Total Liabilities & Deferred Inflows of Resources	\$ 170,456	\$ -	\$ 193,980,246	\$ 42,026,265	\$ 22,483	\$ 236,199,450
Fund Balances:						
Non-Spendable:						
Loans receivable	\$ 285,381	\$ -	\$ 1,597,619	\$ -	\$ 109,358	\$ 1,992,358
Restricted:						
Debt service	-	-	26,715,384	-	-	26,715,384
General government	-	-	-	-	39,602	39,602
Public safety	-	-	-	-	239,799	239,799
Public works/streets	-	-	-	-	600,529	600,529
Culture & recreation	-	-	-	-	652,256	652,256
Economic development	-	-	-	-	359,886	359,886
Other	-	-	-	-	312,379	312,379
Committed:						
Sales tax fund	-	10,419,386	-	-	-	10,419,386
Future building fund	-	-	-	-	294,857	294,857
Unassigned:						
Negative fund balances	-	-	-	(41,774,491)	-	(41,774,491)
General fund	22,170,913	-	-	-	-	22,170,913
Total Fund Balances	\$ 22,456,294	\$ 10,419,386	\$ 28,313,003	\$ (41,774,491)	\$ 2,608,666	\$ 22,022,858
Total Liabilities and Fund Balances	\$ 22,626,750	\$ 10,419,386	\$ 222,293,249	\$ 251,774	\$ 2,631,149	\$ 258,222,308

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

CITY OF WEST FARGO
West Fargo, North Dakota
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total <i>Fund Balances</i> for Governmental Funds	\$	22,022,858
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 therefore are not reported in the funds. Those assets consist of:		
Land (not depreciated)	\$	14,654,817
Construction in Progress (not depreciated)		69,604,194
Land Improvements, net of (\$2,737) accumulated depreciation		10,950
Buildings, net of (\$1,403,126) accumulated depreciation		11,572,485
Equipment, net of (\$2,277,035) accumulated depreciation		2,330,964
Infrastructure, net of (\$52,146,175) accumulated depreciation		74,220,999
		98,173,410
Most of the City's taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds.		
Long-Term Uncertified Special Assessments Receivable	\$	193,279,418
Uncollected Taxes Receivable		101,412
Special Assessments Receivable		669,616
		194,050,446
Retainages payable are not a fund liability, but are accrued for government-wide purposes as those liabilities will be liquidated at the completion of capital projects.		
		(1,104,051)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Pension Deferred Inflows of Resources	\$	(309,528)
Pension Deferred Outflows of Resources		1,989,176
		1,679,648
Long-term liabilities applicable to the City'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 December 31, 2016 are:		
Accrued Interest on Bonds	\$	(1,296,903)
Special Assessment Bonds Payable		(226,555,000)
TIF Bonds Payable		(850,000)
General Obligation Bonds Payable		(6,420,000)
Sales Tax Bonds Payable		(1,515,000)
BND Drawdown Payable		(6,691,805)
Compensated Absences		(1,510,665)
Net Pension Liability		(5,251,658)
		(250,091,031)
Total Net Position of Governmental Activities	\$	64,731,280

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,031,914	\$ -	\$ 1,507,456	\$ -	\$ 1,939,171	\$ 10,478,541
Special assessments	-	-	20,594,854	-	111,382	20,706,236
Sales taxes	-	9,964,013	-	-	-	9,964,013
Licenses, permits and fees	2,857,142	-	-	-	158	2,857,300
Charges for services	-	-	-	200,705	231,149	431,854
Intergovernmental	3,576,528	-	-	2,261,008	1,809,202	7,646,738
Fines, forfeitures and penalties	339,488	-	-	-	-	339,488
Interest on investments	46,625	11,990	83,794	993	4,467	147,869
Miscellaneous	40,252	-	-	17,488	142,441	200,181
Total Revenues	\$ 13,891,949	\$ 9,976,003	\$ 22,186,104	\$ 2,480,194	\$ 4,237,970	\$ 52,772,220
Expenditures:						
Current:						
General government	\$ 2,512,024	\$ -	\$ -	\$ -	\$ 307,896	\$ 2,819,920
Public safety	5,961,596	-	-	-	751,043	6,712,639
Public works/streets	3,567,239	-	-	-	1,034,911	4,602,150
Economic development	183,094	119,671	167,706	-	55,642	526,113
Culture and recreation	-	-	-	-	1,037,755	1,037,755
Other	-	32,892	-	-	166,066	198,958
Capital Outlay	751,237	5,256,662	-	52,653,547	496,524	59,157,970
Debt Service:						
Principal - Bonds	-	-	16,420,000	-	-	16,420,000
Interest	-	-	7,443,800	-	-	7,443,800
Fiscal charges & fees	-	-	34,066	-	-	34,066
Total Expenditures	\$ 12,975,190	\$ 5,409,225	\$ 24,065,572	\$ 52,653,547	\$ 3,849,837	\$ 98,953,371
Excess (Deficiency) of Revenues Over Expenditures	\$ 916,759	\$ 4,566,778	\$ (1,879,468)	\$ (50,173,353)	\$ 388,133	\$ (46,181,151)
Other Financing Sources (Uses):						
Proceeds from bond sale	\$ -	\$ -	\$ -	\$ 27,140,000	\$ -	\$ 27,140,000
Loan proceeds	-	-	-	6,691,805	-	6,691,805
Bond premium	-	-	-	109,139	-	109,139
Transfers in	1,555,014	-	2,081,284	-	389,919	4,026,217
Transfers out	(389,919)	(1,393,044)	(555,739)	(146,202)	(1,555,014)	(4,039,918)
Total Other Financing Sources and Uses	\$ 1,165,095	\$ (1,393,044)	\$ 1,525,545	\$ 33,794,742	\$ (1,165,095)	\$ 33,927,243
Net Change in Fund Balances	\$ 2,081,854	\$ 3,173,734	\$ (353,923)	\$ (16,378,611)	\$ (776,962)	\$ (12,253,908)
Fund Balances - January 1	\$ 20,374,440	\$ 7,245,652	\$ 28,666,926	\$ (25,395,880)	\$ 3,385,928	\$ 34,277,066
Prior Period Adjustments	-	-	-	-	(300)	(300)
Fund Balances - Jan. 1, as restated	\$ 20,374,440	\$ 7,245,652	\$ 28,666,926	\$ (25,395,880)	\$ 3,385,628	\$ 34,276,766
Fund Balances - December 31	\$ 22,456,294	\$ 10,419,386	\$ 28,313,003	\$ (41,774,491)	\$ 2,608,666	\$ 22,022,858

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

CITY OF WEST FARGO
West Fargo, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ (12,253,908)

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. These are the amount by which capital asset additions & capital contributions exceeded transfers, disposals, and depreciation in the current period:

Capital Asset Additions	\$	62,233,813	
Capital Contributions		7,802,200	
Transfer of Capital Assets to Enterprise Activities		(14,345,263)	
Deletions of Construction in Progress (abandoned)		(124,764)	
Depreciation on Capital Assets		(6,456,331)	
		49,109,655	49,109,655

In the statement of activities, only the gain on the sale of the capital 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 loss on the capital assets sold.

(10,228)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position:

Debt Issued:			
Special Assessment Bonds	\$	(27,140,000)	
Loan Drawdown Proceeds		(6,691,805)	
Debt Repayments:			
Bond Principal		16,420,000	(17,411,805)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following balances:

Net Change in Compensated Absences	\$	(470,274)	
Net Change in Retainages Payable		(42,969)	
Net Change in Interest Payable		1,683	(511,560)

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

Net Change in Pension Liability	\$	(1,948,437)	
Net Change in Deferred Inflows of Resources for Pensions		54,504	
Net Change in Deferred Outflows of Resources for Pensions		1,622,710	(271,223)

Long-term Special Assessments are not considered as available resources in the governmental funds; however, they are revenues in the statement of activities of activities. Likewise, collections of long-term special assessments are reported as revenues in the governmental funds; however, they are a reduction of receivables in the statement of activities. The net effect is a net increase to the receivable:

33,662,036

Because some property taxes and special assessments will not be collected for several months after year end, they are not considered as available resources in the governmental funds. However, they are revenues in the statement of activities. The net effect is:

Net Change in Taxes Receivable	\$	33,120	
Net Change in Special Assessments Receivable		353,681	

Change in Net Position of Governmental Activities \$ 52,699,768

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 10,606,057	\$ 1,050,797	\$ 11,656,854
Other asset	5,201	-	5,201
Utility billings receivable	648,692	309,061	957,753
Total Current Assets	<u>\$ 11,259,950</u>	<u>\$ 1,359,858</u>	<u>\$ 12,619,808</u>
Noncurrent Assets:			
Capital Assets not being depreciated:			
Land	\$ 1,620,111	\$ -	\$ 1,620,111
Capital Assets being depreciated:			
Building	2,434,604	940,247	3,374,851
Equipment	1,187,309	1,484,156	2,671,465
Infrastructure	258,086,192	-	258,086,192
Total Noncurrent Assets	<u>\$ 263,328,216</u>	<u>\$ 2,424,403</u>	<u>\$ 265,752,619</u>
Total Assets	<u>\$ 274,588,166</u>	<u>\$ 3,784,261</u>	<u>\$ 278,372,427</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	\$ 406,174	\$ 233,757	\$ 639,931
Total Assets & Deferred Outflows of Resources	<u>\$ 274,994,340</u>	<u>\$ 4,018,018</u>	<u>\$ 279,012,358</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 232,770	\$ 59,783	\$ 292,553
Interest payable	107,219	-	107,219
Bonds payable	630,000	-	630,000
Compensated absences	36,483	15,728	52,211
Total Current Liabilities	<u>\$ 1,006,472</u>	<u>\$ 75,511</u>	<u>\$ 1,081,983</u>
Noncurrent Liabilities:			
Bonds payable	\$ 13,240,000	\$ -	\$ 13,240,000
Compensated absences	328,347	141,553	469,900
Net Pension Liability	1,072,348	617,145	1,689,493
Total Noncurrent Liabilities	<u>\$ 14,640,695</u>	<u>\$ 758,698</u>	<u>\$ 15,399,393</u>
Total Liabilities	<u>\$ 15,647,167</u>	<u>\$ 834,209</u>	<u>\$ 16,481,376</u>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	\$ 63,203	\$ 36,374	\$ 99,577
Total Liabilities & Deferred Inflows of Resources	<u>\$ 15,710,370</u>	<u>\$ 870,583</u>	<u>\$ 16,580,953</u>
NET POSITION			
Net investment in capital assets	\$ 249,458,216	\$ 2,424,403	\$ 251,882,619
Unrestricted	9,825,754	723,032	10,548,786
Total Net Position	<u>\$ 259,283,970</u>	<u>\$ 3,147,435</u>	<u>\$ 262,431,405</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>Operating Revenues:</u>			
Charges for sales services	\$ 8,587,485	\$ 3,435,619	\$ 12,023,104
<u>Operating Expenses:</u>			
Water and sewer operating	\$ 5,613,469	\$ -	\$ 5,613,469
Sanitation operating	-	3,537,285	3,537,285
Depreciation	8,114,861	212,355	8,327,216
Total Operating Expenses	\$ 13,728,330	\$ 3,749,640	\$ 17,477,970
Operating Income	\$ (5,140,845)	\$ (314,021)	\$ (5,454,866)
<u>Nonoperating Revenues (Expenses):</u>			
Investment earnings	\$ 11,297	\$ 2,603	\$ 13,900
Miscellaneous revenue & rental income	238,262	500	238,762
Miscellaneous expense	(55,440)	(4,884)	(60,324)
Interest expense & fees on long-term debt	(661,547)	-	(661,547)
Loss on capital assets	(248)	-	(248)
Total Nonoperating Revenue (Expenses)	\$ (467,676)	\$ (1,781)	\$ (469,457)
Income Before Transfers	\$ (5,608,521)	\$ (315,802)	\$ (5,924,323)
Transfers in (cash)	\$ 13,702	\$ -	\$ 13,702
Transfers in (govt. activities capital assets)	14,345,262	-	14,345,262
Total Net Transfers	\$ 14,358,964	\$ -	\$ 14,358,964
Changes in Net Position	\$ 8,750,443	\$ (315,802)	\$ 8,434,641
Net Position - January 1	\$ 250,359,200	\$ 3,463,237	\$ 253,822,437
Prior Period Adjustments	174,327	-	174,327
Net Position - January 1, as restated	\$ 250,533,527	\$ 3,463,237	\$ 253,996,764
Net Position - December 31	\$ 259,283,970	\$ 3,147,435	\$ 262,431,405

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Operating	Sanitation & Health Fund	Total Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from customers and users	\$ 8,303,637	\$ 3,394,020	\$ 11,697,657
Payments to suppliers	(3,379,744)	(2,315,725)	(5,695,469)
Payments to employees	(1,909,026)	(1,160,318)	(3,069,344)
Net Cash Provided by Operating Activities	<u>\$ 3,014,867</u>	<u>\$ (82,023)</u>	<u>\$ 2,932,844</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Miscellaneous receipts	\$ 42,133	\$ 500	\$ 42,633
Miscellaneous disbursements	(55,440)	-	(55,440)
Maintenance agreement revenue	52,255	-	52,255
Transfer in	13,702	-	13,702
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 52,650</u>	<u>\$ 500</u>	<u>\$ 53,150</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal paid on capital debt	\$ (610,000)	\$ -	\$ (610,000)
Interest & fees paid on capital debt	(664,738)	-	(664,738)
Sales of capital assets	9,154	-	9,154
Interest subsidy (build America bonds)	134,720	-	134,720
Construction & purchases of capital assets	(549,711)	(682,754)	(1,232,465)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (1,680,575)</u>	<u>\$ (682,754)</u>	<u>\$ (2,363,329)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest income	\$ 11,297	\$ 2,604	\$ 13,901
Net Increase in Cash and Cash Equivalents	<u>\$ 1,398,239</u>	<u>\$ (761,673)</u>	<u>\$ 636,566</u>
Cash and Cash Equivalents - January 1	<u>\$ 9,207,818</u>	<u>\$ 1,812,470</u>	<u>\$ 11,020,288</u>
Cash and Cash Equivalents - December 31	<u>10,606,057</u>	<u>\$ 1,050,797</u>	<u>\$ 11,656,854</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (loss)	\$ (5,140,845)	\$ (314,021)	\$ (5,454,866)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Depreciation expense	8,114,861	212,355	8,327,216
Decrease (increase) in utility billing receivables	(283,847)	(41,599)	(325,446)
Increase (decrease) in compensated absences	109,540	76,602	186,142
Net change (decrease) in pension items	(13,800)	(62,350)	(76,150)
Net change in accrued payables	228,958	46,990	275,948
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,014,867</u>	<u>\$ (82,023)</u>	<u>\$ 2,932,844</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
December 31, 2016

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and investments	<u>\$ 1,249,787</u>
<u>LIABILITIES:</u>	
Due to others	<u>\$ 1,249,787</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of West Fargo operates under a home rule charter and various city ordinances, as well as under certain statutes as outlined in the North Dakota Century Code. The financial statements of the City of West Fargo have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the City of West Fargo. The City of West Fargo has considered all potential component units for which the city is financially accountable, and other organizations for which the nature and significance of their relationship with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City of West Fargo 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 the City of West Fargo.

Based on these criteria, there are no component units to be included within the City of West Fargo as a reporting entity.

B. Government-wide and fund financial statements

Government-wide statements: The statement of net position displays information on the financial activities of the City, with the exception of the fiduciary activities. Reporting on the internal activities has been eliminated to avoid duplication on the statements. The statements distinguish between governmental activities – which are normally financed through taxes and intergovernmental revenues – and business type activities – which are normally financed in whole or in part by fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities compares the direct expenses and program revenues for both the functions of the governmental activities and business-type activities of the City. Direct expenses are clearly identifiable with a specific function. Indirect expense allocations have been eliminated for the statement of financial activities. Program revenues include 1) fines, fees and charges for services to customers that benefit from the services provided, and 2) operating grants and contributions, and 3) capital grants are contributions, including special assessments. General revenues, including taxes, are those revenues that are not properly classified as program revenue.

Fund Financial Statements: The fund financial statements provide information about the city'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 and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, results 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 City reports the following major governmental funds:

General Fund. The general fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Sales Tax Fund: The sales tax fund is used to account for the city sales tax revenue. The sales tax fund is a major special revenue fund with a committed revenue stream to transfer to debt service funds and to close out various capital projects.

Debt Service Funds: Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. Revenue sources in this fund are restricted solely for debt retirement.

Capital Projects Funds. Capital projects funds are used to account for financial resources, including special assessments, to be used for the acquisition or construction of major capital facilities, (other than those financed by proprietary funds and trust funds).

The City reports the following major proprietary funds:

Water and Sewer Fund: This fund accounts for the provisions of water and sewer services to the residents of the City.

Sanitation & Health Fund: This fund is used to account for the provisions of garbage pickup and landfill services to the residents of the City.

In addition, the City reports the following fund type:

Agency Funds: Agency funds are used to account for assets held by the city as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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, proprietary fund, and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Governmental Fund Financial Statements: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The City considers revenues to be available if they are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City 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 City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

The city follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for government entities. For government-wide and proprietary fund financial statements the city applies all GASB (Governmental Accounting Standards Board) pronouncements.

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

D: Assets, Liabilities and Fund Balances/Net Position

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, CDAR investments, with a maturity of 28 days, stated at cost.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing transaction outstanding at the end of the fiscal year are designated as either "due to other funds" or "due from other funds" in the governmental fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All real estate is assessed as of the current value on February 1st of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1st of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15th.

Penalty and interest are added on March 1st if the first half of the year taxes is not paid. Additional penalty and interest are added October 15th to those taxes that are not paid. Taxes are collected by the County and remitted to the City monthly.

The City is permitted under provisions of the Home Rule Charter to levy taxes as needed for general governmental services and payment of principal and interest on long-term debt.

CITY OF WEST FARGONotes to the Financial Statements – Continued

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined as having an individual cost of \$5,000 or more and have a useful life in excess of two years. Capital assets are valued at historical or estimated historical cost if actual cost historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Major outlays for capital assets and improvements, including infrastructure, are capitalized as projects are constructed.

Depreciation has been provided over the estimated useful life, using the straight-line method for the City and the discretely presented component units, as follows:

Assets	Years
Buildings	30-50
Equipment	5-20
Vehicles	5-10
Infrastructure	20-40

4. Compensated Absences

Employees accrue vacation leave at a rate of four hours per month for the first year of service. The accrual rate is increased to seven hours per month from two to four years of continuous service, and nine hours per month from five to nine years of service, twelve hours per month from ten to fourteen years of service, fourteen hours per month from fifteen to nineteen years of service and sixteen hours per month for over twenty years of service. A maximum of 240 vacation hours is payable upon termination. Accumulated unpaid vacation is accrued when earned in the government-wide and proprietary fund statements.

Sick leave is accrued at a rate of 3.75 hours per pay period from one to five years of service, and eight hours per month of continuous service after five years. A maximum of 480 hours of sick leave is payable upon termination with ten or more years of service. Accumulated unpaid sick leave is accrued when earned in the government-wide and proprietary fund statements.

5. Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as costs in the current period under provisions of GASB 65.

In the fund financial statements, governmental fund types recognize bond discounts and premiums, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources.

6. Fund Balances & Net Position

GASB Statement No. 54 established new fund balance spending priorities, minimum fund balance policies, and fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

7. Pension

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

8. Fund Balances and Net Position

Fund Balance Spending Policy:

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

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, City Commission formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the business manager.	By city administrator action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes	Available for any remaining general fund expenditure, and used to report negative fund balances of the capital projects funds, and other non-major special revenue funds.

The City of West Fargo reports non-spendable fund balance, restricted fund balances, committed fund balances, and unassigned fund balances at December 31, 2016.

Non-spendable fund balances are reported in the general fund and various debt service funds (3730, 3982, & 3983) totaling \$1,883,000 for loans receivable, and Economic Development loans receivable of \$109,358 for a total of \$1,992,358.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Restricted fund balances are reported for the debt service fund of \$28,919,835, and various functions within the special revenue funds for restricted tax levies, and amounts restricted by state and federal grants/contracts totaling \$2,287,756.

Committed fund balances are reported for the sales tax fund of \$10,419,386, committed by the governing board to close out various capital projects and for debt service, and the Future Building Fund in the amount of \$294,857, also committed by the governing board for construction which started in 2015.

Unassigned fund balances are reported for the general fund \$22,170,913 and for negative fund balances reported in the capital projects fund \$(41,774,491) for a total of \$(19,603,578).

Net Position:

Prior to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, net assets equity was reported in the statement of net assets. Subsequent to the issuance of GASB Statement No. 63, net position is reported in the statement of net position.

When both restricted and unrestricted resources are available for use, it is the City'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 (bonds payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position balances in the statement of net position is also shown by primary function as fund balances are shown and are restricted for debt service, general government, public safety, public works/streets, culture & recreation, economic development, capital projects, and other special purposes.

Unrestricted net position is primarily unrestricted amounts related to the general fund and enterprise funds, and amounts reclassified for negative cash balances from capital projects funds and applicable special revenue funds. The unrestricted net position is available to meet the district's ongoing obligations.

9. Inter-fund Transactions

In the 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 reduction of expenditures in the fund that is reimbursed. All other transactions, except reimbursements, are reported as transfers.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
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A: Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$116,919,421 differences are as follows on the next page:

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Total Governmental Fund Balances	\$ 22,022,858
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	172,394,409
Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds (taxes & special assessments receivables)	194,050,446
Long-term liabilities, including bonds payable, accrued interest payable, pension items, drawdown payable, and others, and are not due and payable in the current period and not reported in the funds.	
Bonds Payable	(235,340,000)
Interest Payable	(1,296,903)
BND Drawdown Payable	(6,691,805)
Net Pension Liability	(5,251,658)
Net Pension deferred outflows and deferred inflows	1,679,648
Retainages Payable	(1,104,051)
Compensated Absences Payable	(1,510,665)
Net Position of Governmental Activities	\$138,952,279

B: Explanation of certain differences between the governmental fund statements of revenue, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statements of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the useful lives and reported as depreciation expenses.” The details of the \$64,943,676 difference are as follows:

Net Changes in Fund Balance-Governmental Funds	\$(12,253,908)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. Capital contributions related to capital asset construction are reported as revenues at the government wide level. This is the amount that capital outlay & capital contributions exceeded depreciation, and losses on disposals.	63,444,690
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	1,683
Accrued compensated absences reported in the statement of activities do not require current financial resources and therefore, are not reported as expenditures in the governmental funds.	(470,274)
Retainages payable reported in the statement of activities does not Require current financial resources and therefore, are not reported as Expenditures in the government funds.	(42,969)

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

CONTINUED....

Transfers of capital assets to enterprise funds are not reported in the fund financial statements, however, a transfer is reported To the enterprise funds and a transfer out is reported in the governmental activities at the government-wide level.	\$(14,345,263)
Because some property taxes will not be collected for several months after year-end, they are not considered as available revenues in the governmental funds. However, they are revenues in the statement of activities.	33,120
Bond & loan proceeds are reported as financing sources in governmental funds and thus contribute to the changes in fund balance. In the statement of net position, however the, issuing debt increases long-term liabilities and does not affect the statement of activities.	(33,831,805)
Pension items are not reported in the funds related to the changes in net pension liability, deferred outflows and inflows of resources.	(271,223),
Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in statement of net position.	16,420,000
Special assessments levied in the current period are not considered as available revenues in the governmental funds, however they are revenues in the statement of activities. Likewise, collection of current special assessments are reported as revenues in the governmental funds, however they are a reduction of the receivables in the statement of activities. The net effect is:	34,015,717
Change in Net Position of Governmental Activities	\$ 52,699,768

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted accounting in the United States of America (GAAP) for the General Fund, Special Revenue Funds, and the Debt Service Funds.

Based upon available financial information and requests by the governing board, the city auditor prepares the preliminary city budget. The city budget is by function and activity on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The governing board holds a public hearing where any taxpayer may testify in favor of or against any proposed expenditure or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The board must approve the budget amendments and the approval must be noted in the proceedings of the board.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

The governing board approved the following budget amendments to the 2016 city budget (expenditures and transfers out):

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendments	Amended Budget
Sales Tax (major)	\$ 5,500,000	\$ 1,305,000	\$ 6,805,000
Fire Fund	725,000	1,500	726,500
Building & Technology	462,807	37,193	500,000
FM Visitor's Bureau	75,000	120,000	195,000
Otto Brehmer Grant	-	3,305	3,305
Vector Control	70,000	17,000	87,000
Night to Unite	-	5,300	5,300
West Fest	20,000	2,500	22,500
Cruise Night	8,000	1,000	9,000
Asset Forfeitures	15,000	1,500	16,500
Capital Improvements	-	32,500	32,500
Refunding Bond 2005C	245,400	200	245,600
CostCo Sales Tax Bonds	324,865	107,135	432,000
2015-A Revenue Improvement Bond	-	2,745,000	2,745,000
2015-B Revenue Improvement Bond	-	650,000	650,000
Sterling TIF	-	500,000	500,000
Butler TIF	-	7,000	7,000
Charleswood TIF	53,335	66,665	120,000

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In accordance with North Dakota Statutes, the city 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, city, park district, or other political subdivision of the state of North Dakota. whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2016, the city's carrying amount of deposits was \$32,099,316, and the bank balances were \$33,173,548. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance, and \$9,330,198 was covered by SIPC insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Credit Risk:

The City 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 December 31, 2016, the city held certificates of deposit totaling \$1,122,334.

The City’s bond rating was A1 during the year ended December 31, 2016.

B. Receivables

Receivables as of the year end for the government's individual major and non-major funds reported in the financial statements are as follows:

Receivables:	General	Non Major Funds	Debt/Cap. Const.	Sales Tax	Water/ Sewer	Health/ Sanitation	Total
Accounts Rec.	\$ 179,479	\$ 21,132	\$ 251,774	\$ -	\$ -	\$ -	\$ 452,385
Utility Billings Rec.	-	-	-	-	648,692	309,061	957,753
Taxes Receivable	53,583	16,617	31,212	-	-	-	101,412
Loans Receivable	-	109,358	-	-	-	-	109,358
TIF Receivable	285,381	-	1,597,619	-	-	-	1,833,000
Specials-Current	-	-	669,616	-	-	-	669,616
Specials-LT Uncertified	-	-	193,279,418	-	-	-	193,279,418
Intergovt. Receivable	506,378	149,631	-	779,033	-	-	1,435,042
Total Receivables	\$1,024,821	\$296,738	\$195,829,639	\$779,033	\$648,692	\$309,061	\$198,887,984

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds balance sheet were as follows:

Taxes Receivable – General	\$ 53,583
Taxes Receivable - Debt Service Funds	31,212
Taxes Receivable - NM Funds	16,617
Special Assessments Receivable-Current	669,616
LT Uncertified Spec. Assessments Receivable	193,279,418
Total Deferred Inflows - Balance Sheet	\$194,050,446

The taxes receivable and special assessments receivable amounts represent the past three years of delinquent uncollected taxes. The long-term uncertified special assessments receivable represents amounts not yet certified/assessed, but are to be assessed in future years for various projects/debt service collections. No allowance has been established for uncollectible taxes or special assessments receivable, or long-term uncertified special assessments receivable.

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 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.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

Storefront Loans receivable detail:

Storefront loans receivable total of \$109,358 is made up of the following individual balances:

Name/Business	Beg. Balance 1/1/16	New Loans	Adjustments/ Payments	Ending Balance 12/31/16
Sandy's Donuts	\$ 14,489	\$ -	\$ 2,171	\$ 12,318
Off the Wall Advertising	14,823	-	2,171	12,652
Silver Dollar	15,157	-	2,171	12,986
Bordertown	15,491	-	2,171	13,320
Dan's Service Center	15,992	-	2,004	13,988
Westside Salon	15,702	-	1,701	14,001
Westgo Square	16,036	-	1,768	14,268
Payroll Express	17,996	-	2,171	15,825
Total Loans Receivable	\$ 125,686	\$ -	\$ 16,328	\$ 109,358

Tax Increment Financing Loans receivable detail:

Tax increment financing loans receivable total of \$1,833,000 is made up of the following individual balances:

Fund	Beg. Balance 1/1/16	New Loans	Adjustments/ Payments	Ending Balance 12/31/16
Due from Highpoint TIF	\$ 375,888	\$ -	\$ 20,941	\$ 354,947
Due from Lexstar TIF	158,017	-	18,018	139,999
Due from Tital TIF	906,392	-	53,685	852,707
General Fund-Fargo Hosp.	-	350,000	64,619	285,381
TIF Butler	41,983	18,017	-	60,000
TIF Titan	50,720	139,246	-	189,966
Total TIF Loans	\$ 1,533,000	\$ 507,263	\$ 157,263	\$ 1,883,000

C. Inter-fund Receivables/Payables and Transfers

Interfund receivables & payables -- the amount of due to / due from other funds represents the \$41,099,401 total that the capital projects fund owes the debt service fund (\$26,715,384), and the general fund (\$14,384,017) for over expending their share of the pooled cash account.

Interfund Cash Transfers:

The following is a schedule of cash interfund transfers for the year ended December 31, 2016 (does not include capital asset transfers between governmental and business-type activities):

Transfers In					
Transfers Out	General	Debt Service	Non-Major Funds	Water Fund	Total
General	\$ -	\$ -	\$ 389,919	\$ -	\$ 389,919
Sales Tax	-	1,393,044	-	-	1,393,044
Debt Service	-	555,739	-	-	555,739
Capital Projects	-	132,501	-	13,702	146,203
Non-Major	1,555,014	-	-	-	1,555,014
Totals	\$ 1,555,014	\$ 2,081,284	\$ 389,919	\$ 13,702	\$ 4,039,919

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Interfund cash transfers in/out totaling \$4,039,919, consist of the following:

- \$1,555,014 from the highway tax fund 2130 to the general fund for street expenses
- \$389,919 from the general fund to the building fund 2080 for operating expenses (\$387,919) & \$2,000 into fund 2500 for national night out expenses
- \$13,702 to water & sewer funds from capital projects fund 4043 for pond expenses
- \$1,393,044 from sales tax to debt service funds 3368 (\$950,000) and 3379 (\$443,044) for scheduled debt payments
- \$132,501 from capital projects funds (4365 & 4583) into debt service fund 3388
- \$555,739 of transfers out of debt service funds (3379 & 3981) into other debt service funds (3360 & 3384) to help make debt payments on 2006 bonds & 2014 bonds

D. Capital Assets

Governmental Activities:	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,054,957	\$ 6,599,860	\$ -	\$ 14,654,817
Construction in Progress	44,817,637	62,279,237	37,492,680	69,604,194
Total Capital Assets, Not Being Depreciated	\$ 52,872,594	\$ 68,879,097	\$ 37,492,680	\$ 84,259,011
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,332,001	\$ 10,643,610	\$ -	\$ 12,975,611
Equipment	3,989,195	832,944	214,140	4,607,999
Land Improvements	13,687	-	-	13,687
Infrastructure	113,664,158	12,703,016	-	126,367,174
Total Capital Assets, Being Depreciated	\$ 119,999,041	\$ 24,179,570	\$ 214,140	\$ 143,964,471
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 1,114,154	\$ 288,972	\$ -	\$ 1,403,126
Equipment	2,106,258	374,688	203,911	2,277,035
Land Improvements	2,280	456	-	2,736
Infrastructure	46,353,961	5,792,215	-	52,146,176
Total Accumulated Depreciation	\$ 49,576,653	\$ 6,456,331	\$ 203,911	\$ 55,829,073
Total Capital Assets Being Depreciated, Net	\$ 70,422,388	\$ 17,723,239	\$ 10,229	\$ 88,135,398
Governmental Activities Capital Assets, Net	\$ 123,294,982	\$ 86,602,336	\$ 37,502,909	\$ 172,394,409

The total increase for net capital assets totaling \$49,099,428 consisting of the following:

Increases for governmental activities capital assets consist of the following in the net total \$86,602,336:

- Capital asset expenditure additions totaling \$62,233,813
- Capital asset capital contributions totaling \$7,802,200
- Transfer from construction in progress into infrastructure totaling \$12,703,017
- Transfer from construction in progress into buildings totaling \$10,319,637
- Depreciation expense of \$(6,456,331)

Decreases for governmental activities capital assets consist of the following (net \$37,502,909):

- Deleted assets & abandoned project (equipment & CIP) totaling \$338,903
- Transfer from construction in progress to infrastructure totaling \$23,022,654
- Accumulated depreciation removed for equipment totaling \$(203,911)
- Transfer to enterprise funds totaling \$14,345,262

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Depreciation expense was charged to the following functions/programs of the City's governmental activities for the current fiscal year \$(6,456,630):

Governmental Activities:	Amounts
General Government	\$ 324,816
Public Safety	172,592
Public Works & Infrastructure	5,954,488
Forestry (other)	4,435
Total Depreciation Expense-Governmental Activities	\$ 6,456,331

Enterprise Activities:	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,620,111	\$ -	\$ -	\$ 1,620,111
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,449,203	\$ 1,359,930	\$ -	\$ 3,809,133
Equipment	7,623,755	939,027	10,525	8,552,257
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	307,048,311	13,273,885	-	320,322,196
Total Capital Assets, Being Depreciated	\$ 320,873,065	\$ 15,572,842	\$ 10,525	\$ 336,435,382
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 358,021	\$ 76,260	\$ -	\$ 434,281
Equipment	5,505,281	385,789	10,277	5,880,793
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	54,370,837	7,865,167	-	62,236,004
Total Accumulated Depreciation	\$ 63,985,935	\$ 8,327,216	\$ 10,277	\$ 72,302,874
Total Capital Assets Being Depreciated, Net	\$ 256,887,130	\$ 7,245,626	\$ 248	\$ 264,132,508
Enterprise Activities Capital Assets, Net	\$ 258,507,241	\$ 7,245,626	\$ 248	\$ 265,752,619

Increases to business-type funds/activities consist of the following totaling a net of \$7,245,626:

- Capital asset additions to equipment totaling \$939,027
- Transfer from government activities totaling \$14,633,815 to buildings \$(1,359,931) and infrastructure \$(13,273,884)
- Annual depreciation added for buildings, equipment, and infrastructure totaling \$(8,327,216)

Decreases to business-type funds/activities consist of the following totaling a net \$248:

- Deleted assets (equipment) totaling \$10,525
- Accumulated depreciation for deleted equipment totaling \$(10,277)

Water & Sewer Fund:	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,620,111	\$ -	\$ -	\$ 1,620,111
<i>Capital assets being depreciated:</i>				
Buildings	\$ 1,292,672	\$ 1,359,930	\$ -	\$ 2,652,602
Equipment	5,799,281	261,157	10,525	6,049,913
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	307,048,311	13,273,885	-	320,322,196
Total Capital Assets, Being Depreciated	\$ 317,892,060	\$ 14,894,972	\$ 10,525	\$ 332,776,507
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 164,886	\$ 53,112	\$ -	\$ 217,998
Equipment	4,676,299	196,582	10,277	4,862,604
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	54,370,837	7,865,167	-	62,236,004
Total Accumulated Depreciation	\$ 62,963,818	\$ 8,114,861	\$ 10,277	\$ 71,068,402
Total Capital Assets Being Depreciated, Net	\$ 254,928,242	\$ 6,780,111	\$ 248	\$ 261,708,105
Enterprise Activities Capital Assets, Net	\$ 256,548,353	\$ 6,780,111	\$ 248	\$ 263,328,216

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Sanitation & Garbage Fund:	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
<i>Capital assets being depreciated:</i>				
Buildings	\$ 1,156,531	\$ -	\$ -	\$ 1,156,531
Equipment	1,824,474	677,870		2,502,344
Total Capital Assets, Being Depreciated	\$ 2,981,005	\$ 677,870	\$ -	\$ 3,658,875
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 193,136	\$ 23,148	\$ -	\$ 216,284
Equipment	828,982	189,206		1,018,188
Total Accumulated Depreciation	\$ 1,022,118	\$ 212,354	\$ -	\$ 1,234,472
Total Capital Assets Being Depreciated, Net	\$ 1,958,887	\$ 465,516	\$ -	\$ 2,424,403

Prior period adjustments to beginning net capital assets is as follows:

Capital Assets	Govt. Activities	Enterprise Act.
Beginning Capital Assets 2016	\$ 123,608,818	\$ 258,332,913
Net Adjustment – Capital Assets (CIP & infra.)	(313,837)	174,327
Beginning Capital Assets 2016 Restated	\$ 123,294,981	\$ 258,507,240

E. Long-term liabilities

Changes in Long-Term Liabilities:

During the year ended December 31, 2016, the following changes occurred in long-term liabilities of governmental and business type activities:

Primary Government - Governmental Activities:

Governmental Activities	Balance 1/1/16	Increases	Decreases	Balance 12/31/16	Due Within One Year
G.O. Bonds	\$ 7,105,000	\$ -	\$ 685,000	\$ 6,420,000	\$ 705,000
Sales Tax Bonds	1,685,000	-	170,000	1,515,000	175,000
Spec. Assmt. Bonds	214,945,000	27,140,000	15,520,000	226,565,000	13,425,000
TIF Bonds	885,000	-	45,000	840,000	45,000
BND Drawdown Payable	-	6,691,805	-	6,691,805	-
Comp. Absences *	1,040,391	470,274	-	1,510,665	151,066
Net Pension Liability *	3,303,221	1,948,437	-	5,251,658	-
Total Govt. Activities	\$ 228,963,612	\$ 36,250,516	\$ 16,420,000	\$ 248,794,128	\$ 14,501,066
Total Bonds	\$ 224,620,000	\$ 33,831,805	\$ 16,420,000	\$ 242,031,805	\$ 14,350,000
SA Bonds & TIF Bonds	\$ 215,830,000	\$ 27,140,000	\$ 15,565,000	\$ 227,405,000	\$ 13,470,000

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

Business-Type Activities:

Business-Type Activities	Balance 1/1/16	Increases	Decreases	Balance 12/31/16	Due Within One Year
Sewer Bonds	\$ 14,480,000	\$ -	\$ 610,000	\$ 13,870,000	\$ 630,000
Comp. Absences *	\$ 335,969	\$ 186,142	\$ -	\$ 522,111	\$ 52,211
Net Pension Liability *	1,223,786	465,707	-	1,689,493	-
Total Govern. Activities	\$ 16,039,755	\$ 651,849	\$ 610,000	\$ 16,081,604	\$ 682,211

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

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

General Obligation Bonds – Governmental Activities:

The City issued general obligation bonds in 2009 to provide funds for the construction of major capital assets for governmental type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20 year serial bonds with equal amounts maturing each year. General obligation bonds currently outstanding are as follows:

\$10,000,000 Refunding Bond G.O. Bonds of 2009 due in annual installments of \$705,000 to \$915,000 through 2024; interest at 3.0% to 4.35%. \$6,420,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	G.O. Bonds Payable	
	Principal	Interest
2017	\$ 705,000	\$ 243,287
2018	730,000	222,138
2019	755,000	198,777
2020	780,000	173,108
2021	810,000	144,248
2022-2026	2,640,000	228,852
Totals	\$ 6,420,000	\$ 1,210,410

The City issued \$27,140,000 of special assessment debt in 2016 to provide funds for the construction of streets, water and sewer lines, storm sewers, and street lights in new residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds, TIF bonds, and sales tax revenue bonds currently outstanding are as follows:

Special Assessment Bonds (including TIF bonds):

\$6,015,000 of Refunding Improvement Bonds of 2009, Series A, (refund of 2002A, 2001A and 2001C) due in one annual installments of \$665,000 in 2017; interest at 3.0%. \$ 665,000

\$5,430,000 Refunding Improvement Bonds of 2009, Series B (refund of 2003C and 2003D) due in annual installments of \$290,000 to \$295,000 through 2018; interest at 3.0% to 3.2%. 585,000

\$7,725,000 Refunding Improvement Bonds of 2009, Series C, due in annual installments of \$310,000 to \$325,000 through 2034; interest at 3.0% to 4.85%. 5,720,000

\$525,000 Sidewalk Warrants of 2010 (6048) due in annual installments of \$50,000 through 2020; interest at 2.0% to 2.4%. 200,000

\$530,000 Municipal Bonds of 2009 (TIF), due in annual installments of \$10,000 to \$35,000 through 2039; interest at 3.8% to 5.0%. 460,000

\$570,000 Tax Increment Revenue Bonds of 2009, due in annual installments of \$35,000 to \$50,000; interest at 3.4% to 4.5%. 380,000

CITY OF WEST FARGONotes to the Financial Statements – Continued

Special Assessment Bonds (including TIF bonds): Continued

\$5,935,000 Refunding Improvement Bonds of 2010, Series A, due in annual installments of \$600,000 to \$620,000 through 2019; interest at 3.0% to 3.5%.	\$ 1,825,000
\$7,130,000 Refunding Improvement Bonds of 2010, Series B, due in annual installments of \$265,000 to \$330,000 through 2035; interest at 2.0% to 4.0%.	5,495,000
\$27,130,000 Refunding Improvement Bonds of 2016, Series A, due in annual installments of \$735,000 to \$1,375,000 through 2035; interest at 1.5% to 4.5%.	27,140,000
\$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$690,000 through 2023; interest at 4.0%.	4,275,000
\$6,345,000 Refunding Improvement Bonds of 2007, Series B due in annual installments of \$265,000 to \$420,000 through 2023; interest at 4.0% to 4.25%.	2,740,000
\$240,000 Sidewalk Bonds of 2007, due in one annual installment of \$20,000 in 2017; interest at 4.1%	20,000
\$215,000 Sidewalk Bonds of 2008, due in annual installments of \$20,000 through 2018; interest at 4.0%.	40,000
\$2,735,000 Refunding Improvement Bonds 2008, Series B due in annual installments of \$175,000 to \$185,000 through 2023; interest 4.0% to 4.5%.	1,255,000
\$7,080,000 Refunding Improvement Bonds 2008, Series C due in annual installments of \$450,000 to \$465,000 through 2024; interest 4.0% to 4.75%.	3,665,000
\$2,645,000 Refunding Improvement Bonds 2011, Series B due in annual installments of \$175,000 to \$295,000 through 2020; interest 2.3% to 3.2%.	1,055,000
\$9,960,000 Refunding Improvement Bonds 2011, Series C due in annual installments of \$380,000 to \$445,000 through 2036; interest 2.0% to 4.0%.	8,060,000
\$5,315,000 Refunding Improvement Bonds 2011, Series A due in annual installments of \$550,000 to \$575,000 through 2020; interest 3.0% to 4.0%.	2,245,000
\$17,775,000 Refunding Improvement Bonds 2014, Series A due in annual installments of \$610,000 to \$880,000 through 2038; interest 2.0% to 3.625%.	15,955,000
\$170,000 Sidewalk Bonds of 2012, due in annual installments of \$15,000 to \$20,000 through 2022 at 2.25% interest.	110,000

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Special Assessment Bonds (including TIF bonds): Continued

\$15,630,000 Refunding Improvement Bonds of 2012, Series A, due in annual installments of \$535,000 to \$765,000 through 2036; interest rate from 3.0% to 4.25%.	\$ 12,155,000
\$6,030,000 Refunding Improvement Bonds of 2012, Series B, refinance of 2006A, due in annual installments of \$595,000 to \$670,000 through 2021; interest rate from .90% to 1.85%.	3,160,000
\$9,740,000 Refunding Improvement Bonds of 2012, Series C, refinance of 2005B and 2005D, due in annual installments of \$405,000 to \$1,130,000 through 2021; interest rate from 3.0% to 4.50%.	4,880,000
\$37,600,000 Refunding Improvement Bonds of 2012, Series D, included refinance of 2008A, due in annual installments of \$1,145,000 to \$2,190,000 through 2037; interest rate from 2.0% to 3.375%.	28,920,000
\$15,900,000 Refunding Improvement Bonds of 2014, Series A, due in annual installments of \$570,000 to \$725,000 through 2037; interest rate from 2.0% to 3.25%.	13,550,000
\$20,460,000 Refunding Improvement Bonds 2014, Series B due in annual installments of \$750,000 to \$985,000 through 2039; interest 2.0% to 5.0%.	19,450,000
\$28,180,000 Refunding Improvement Bonds 2015, Series A due in annual installments of \$1,000,000 to \$1,525,000 through 2040; interest 2.0% to 5.0%.	26,850,000
\$24,400,000 Refunding Improvement Bonds 2015, Series B due in annual installments of \$825,000 to \$1,050,000 through 2040; interest 2.0% to 5.0%.	24,470,000
\$13,630,000 Refunding Improvement Bonds of 2014, Series B, due in annual installments of \$470,000 to \$665,000 through 2038; interest rates from 3.0% to 4.2%.	<u>12,080,000</u>
Total Special Assessment & TIF Bonds	<u>\$227,405,000</u>

Sales Tax Bonds

\$2,060,000 Sales Tax Revenue Bond, Series 2012, due in annual payments of \$175,000 to \$410,000 through 2023; interest rate of 2.0% to 3.0%.	\$ 1,515,000
Total of "Bonds" for Governmental Activities	<u>\$235,340,000</u>

Bank of North Dakota – Drawdown Payable:

A loan line of credit exists with the Bank of North Dakota to draw down up to \$10,000,000 for construction costs related to fund 4586 for the 32nd and 40th Avenue West to Diversion project. As of December 31, 2016, the City drew down \$6,691,805 of the loan line of credit. As of December 31, 2016, no set payment schedule exists for the loan, and the outstanding balance was \$6,691,805. The city will be notified periodically to pay interest and principal.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

Annual debt service requirements to maturity for special assessment, sales tax, and TIF bonds totaling \$235,340,000 are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Spec. Assmt., Sales & TIF Bonds	
	Principal	Interest
2017	\$ 17,435,000	\$ 7,592,505
2018	16,795,000	7,128,731
2019	16,290,000	6,603,766
2020	15,355,000	6,073,063
2021	13,585,000	5,565,796
2022-2026	52,240,000	21,298,090
2027-2031	43,395,000	13,368,682
2032-2036	40,265,000	6,280,807
2037-2041	19,980,000	981,791
Totals	\$ 235,340,000	\$ 74,893,231

Business-Type Activities:

\$9,145,000 Water & Sewer Refunding Bonds 2012, (2005), due in annual installments of \$425,000 to \$630,000 through 2030; interest at 1.4% to 4.25% - enterprise funds (Business-Type Activities). \$ 7,230,000

\$7,870,000 Water and Sewer Revenue Bonds Series 2009 due in annual installments of \$205,000 to \$1,140,000 through 2034; interest at 4.75% to 6.375% - enterprise funds (Business-Type Activities) 6,640,000

Total Business-Type Activities Revenue Bonds \$13,870,000

Annual debt service requirements to maturity for the enterprise revenue bonds are as follows:

BUSINESS TYPE ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2017	\$ 630,000	\$ 643,312
2018	640,000	627,625
2019	665,000	605,300
2020	690,000	580,400
2021	715,000	554,060
2022-2026	4,060,000	2,272,050
2027-2031	4,360,000	1,298,546
2032-2036	2,110,000	311,738
Totals	\$ 13,870,000	\$ 6,893,031

Operating Lease - Copier

The City of West Fargo entered an operating lease with Laser Systems for a copier in 2016. The lease calls for 63 monthly payments of \$704.51 each. Total operating lease payments made in 2016 totaled \$4,227.

Remaining operating lease payment commitments to Laser Systems for the copier are as follows at December 31, 2016:

Year Ended	Amounts
2017	\$ 8,454
2018	8,454
2019	8,454
2020	8,454
2021	6,341
Total	\$ 40,157

F. Contingent Liability

Amounts received from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 5: PENSION PLAN

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, 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 contribution 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 12/31/2016, the Employer reported a liability of \$6,941,151 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 06/30/2016 the Employer's proportion was .712207 percent, which was an increase of .046454 percent from its proportion measured as of 6/30/2015.

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

For the year ended 12/31/2016 the Employer recognized pension expense of \$996,978. At 12/31/2016 the Employer 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	\$ 104,271	\$ 64,269
Change in proportion and differences between employer contributions & proportionate share of contributions	356,605	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	968,391	-
Changes of Assumptions	639,886	344,836
District Contributions Subsequent to the Measurement Date	559,954	-
Total	\$ 2,629,107	\$ 409,105

\$559,954 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2016.

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

2017	\$ 310,608
2018	310,608
2019	521,860
2020	361,510
2021	155,462

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

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table 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 were based on the RP-2000 Disabled Mortality Table set back one year for males (no set back for females) multiplied by 125%.

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

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

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's Proportionate Share of the Net Pension Liability	\$ 9,845,889	\$ 6,941,151	\$ 4,493,759

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

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

NOTE 6: INDIVIDUAL FUND DEFICITS

The following funds were in a deficit cash and individual fund balance position at December 31, 2016:

Fund Name	Fund Balance	Cash
Debt Service Funds (3000's):		
2015A - RIB	\$ (146,891)	\$ (146,891)
2014B - RIB	(481,519)	(481,519)
Sidewalk 6043 - 2006	(24,654)	(24,654)
Capital Projects Funds (4000's):		
2241 5th St. West. Ext. (27th to 28th Ave. W.)	(32,945)	(32,945)
Storm Lift Station	(744,885)	(744,885)
2240 8th Ave. NW. & 26th St. NW - Paving	(1,487,265)	(1,487,265)
2242 Street Improvement District	(19,726)	(19,726)
4054 Regional Stm Lft	(4,779,590)	(4,779,590)
4045 Southside General Storm Sewer	(8,331)	(8,331)
4058 Storm Lift Station (SM 71)	(390,811)	(390,811)
2243 Street Improvement District	(582)	(582)
2219 7th Ave - 17th to 45th Street Impr.	(5,345)	(5,345)
1279 12th Ave N-45th Str to Cty 19 Impr	(4,597,353)	(4,843,797)
1273 Main Ave. Phase III NHU-8-010(032)932	(8,993,123)	(8,993,123)
1260 1.5mm gallon water tower	(1,405,879)	(1,405,879)
1287 - Sheyenne & 52nd Ave Water Main	(386,830)	(386,830)
1289 26th St NE & Diversion Road	(9,179,974)	(9,179,974)
1293 Wild's 8th Addition	(1,972)	(1,972)
1294 Eaglewood 5th Addition	(1,063,240)	(1,063,240)
1295 Highland Meadows 2nd Addition	(1,961,692)	(1,961,692)
1295 Highland Meadows 2nd Addition	(85)	(85)
1296 Lagoon System Improvements	(114)	(114)
1297 Sewer Improvement District	(1,052,416)	(1,052,416)
1298 Eagle Run Plaza 5th Addition	(463,842)	(463,842)
1301 Water Storm Sewer Street District	(176)	(176)
1299 Lift Station SA13 Rehabilitation	(441)	(441)
6052 Sidewalk Improvement District 2016	(320,502)	(320,502)
2157 13th Ave. West	(300)	(300)
Sheyenne St S of I94	(690,054)	(690,054)
2234-33rd Ave E to Prairie Hgts Drive	(15,191)	(15,191)
2239 32 & 40th Ave W to Diversion	(4,279,834)	(4,279,834)

The city will take appropriate action concerning these deficits by utilizing one or a combination of the following methods:

- Transfer general fund, sales tax fund, and debt service moneys sufficient to relieve deficits
- Issue bonds to finance capital projects
- Collect special assessments to relieve deficits

NOTE 7: RISK MANAGEMENT

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

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of West Fargo pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$6,405,817 for mobile equipment and portable property (public assets).

The City of West Fargo also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the city 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 City of West Fargo has worker’s compensation insurance with North Dakota Workforce, Safety and Insurance and provides health, dental and vision insurance benefits for full-time employees through Blue Cross Blue Shield of North Dakota. The city pays 87.5% for single coverage or 75% of family, employee with spouse or single with dependents coverage.

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

NOTE 8: OPEN CONSTRUCTION PROJECTS

The city had 17 construction projects open at year-end. The total amount of construction costs in progress was \$31,493,684 with contract amounts of \$37,938,563 leaving total construction commitments of \$6,444,880 at December 31, 2016. Additionally, retainages payable related to construction at December 31, 2016 totaled \$1,104,051.

Project	Contract Amount	Total Completed	Remaining Balance	Retainage
Storm District 4054 Phase II - Rick Electric	\$ 306,000	\$ 306,000	\$ -	\$ 15,300
Storm District 4056 Phase I - Master Construction	2,115,438	2,082,129	33,308	105,772
Storm District 4054 Phase II - Key Contracting	2,199,250	2,105,559	93,691	109,963
Sew er, W, Stm & Street Impr District # 1279 Phase II - Gladen	2,127,255	2,095,194	32,061	75,000
Water Impr District # 1260 - CB&I Construction	3,174,700	2,440,166	734,534	167,775
Sew er, W, Stm & Street Impr Dist. #1289 Phase II-Dakota Underground	6,925,568	6,684,044	241,524	66,840
Sew er, W, Stm & Street Impr District # 1294 - Dakota Underground	1,780,428	1,754,680	25,749	10,000
Sew er, W, Stm & Street Impr District # 1293 - Dakota Underground	1,548,901	983,428	565,473	77,445
Street District #2239 Phase I - Dakota Underground	5,149,335	5,115,287	34,048	25,000
Street District #2239 Phase Iia - Mayo Construction	4,435,250	4,346,086	89,164	100,000
Sew er Impr District #1297 Phase I - CC Steel	1,589,700	836,421	753,279	79,485
Sew er Impr District #1297 Phase II - Shermans LLC	130,900	95,425	35,475	6,545
Sew er Impr District #1297 Phase III - Rick Electric	237,700	55,490	182,210	5,549
Street Impr District #2240 - Paras Contracting	3,129,445	1,182,448	1,946,997	118,245
Storm Impr District 4057 Phase I - PKG Contracting	1,896,900	898,362	998,538	89,836
Storm Impr District 4057 Phase II - ICS Inc.	25,000	4,000	21,000	400
Storm Impr District 4057 Phase III - Grant's Mechanical	315,489	92,159	223,330	9,216
Total	\$ 37,938,563	\$ 31,493,684	\$ 6,444,880	\$ 1,104,051

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

NOTE 9: CONTINGENT LIABILITIES

The City is defendant in certain lawsuits incident to its operations. In the opinion of City Counsel and management, such claims against the City not covered by insurance would not materially affect the financial condition of the City.

NOTE 10: PRIOR PERIOD ADJUSTMENTSPrior period errors:

Prior period errors were noted in governmental activities related to construction in progress, and for business-type activities and funds related to capital asset costs for infrastructure in the water fund.

Beginning fund balance adjustments were necessary for the water and sewer fund / enterprise business-type activities, and to governmental activities.

Prior period adjustments to beginning net position and fund balances are as follows:

Net Position Adjustments - Governmental Activities:	Amounts
Net Position as previously reported	\$ 86,566,648
Adjustments to restate the January 1, 2016 net position for various items as outlined below:	
Change fund removal	(300)
Construction in progress - cost (error)	(313,837)
Net Position, January 1, 2015 as restated	\$ 86,252,511

Net Position Adjustments - Water/Sewer Fund	Amounts
Net Position as previously reported	\$ 250,359,200
Adjustments to restate the January 1, 2016 net position for various items as outlined below:	
Water fund - infrastructure errors	174,327
Net Position, January 1, 2016 as restated	\$ 250,533,527

Net Position Adjustments - Business-Type Activities:	Amounts
Net Position as previously reported	\$ 253,822,437
Adjustments to restate the January 1, 2016 net position for various items as outlined below:	
Water Fund - infrastructure errors	174,327
Net Position, January 1, 2016 as restated	\$ 253,996,764

NOTE 11: TAX ABATEMENTS

The City of West Fargo negotiates property tax abatement agreements on an individual basis with certain individuals and various commercial entities/businesses. The City has the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

The City of West Fargo 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) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Rugby Job Development Authority Board of Directors will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$47,248

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.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$1,097.22

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.

2016 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$292,344

Childhood Services Exemption

Childhood Services (also adult daycare) are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36)) and the guidelines stated below. The following criteria are only guidelines.

The governing body of the city, for property within city limits, or of the county, for property outside city limits, 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 chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence.

2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$4,306

Commercial and Residential:

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

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

CITY OF WEST FARGO

Notes to the Financial Statements – Continued

2016 Reduction in Taxes – Other Entities:
Total program reduction in taxes – \$4,338

CITY OF WEST FARGO
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 6,574,398	\$ 6,574,398	\$ 7,031,914	\$ 457,516
Licenses, Permits & Fees	2,021,000	2,021,000	2,857,142	836,142
Intergovernmental	2,830,261	2,830,261	3,576,528	746,267
Fines, Forfeitures, & Penalties	220,000	220,000	339,488	119,488
Interest Income	11,000	11,000	46,625	35,625
Miscellaneous	11,000	11,000	40,252	29,252
Total Revenues	\$ 11,667,659	\$ 11,667,659	\$ 13,891,949	\$ 2,224,290
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,615,067	\$ 2,615,067	\$ 2,512,024	\$ 103,043
Public Safety	5,835,668	5,835,668	5,961,596	(125,928)
Public Works/Streets	3,705,565	3,705,565	3,567,239	138,326
Economic Development	191,403	191,403	183,094	8,309
Capital Outlay	819,000	819,000	751,237	67,763
Total Expenditures	\$ 13,166,703	\$ 13,166,703	\$ 12,975,190	\$ 191,513
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,499,044)	\$ (1,499,044)	\$ 916,759	\$ 2,415,803
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,700,000	\$ 1,700,000	\$ 1,555,014	\$ (144,986)
Transfers Out	(552,000)	(552,000)	(389,919)	162,081
Total Other Financing Sources and Uses	\$ 1,148,000	\$ 1,148,000	\$ 1,165,095	\$ 17,095
Net Changes in Fund Balances	\$ (351,044)	\$ (351,044)	\$ 2,081,854	\$ 2,432,898
Fund Balance - January 1	\$ 20,374,440	\$ 20,374,440	\$ 20,374,440	\$ -
Fund Balance - December 31	\$ 20,023,396	\$ 20,023,396	\$ 22,456,294	\$ 2,432,898

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

CITY OF WEST FARGO
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 7,000,000	\$ 7,000,000	\$ 9,964,013	\$ 2,964,013
Interest Income	1,500	1,500	11,990	10,490
Total Revenues	<u>\$ 7,001,500</u>	<u>\$ 7,001,500</u>	<u>\$ 9,976,003</u>	<u>\$ 2,974,503</u>
<u>Expenditures:</u>				
Current:				
Economic Development	\$ -	\$ -	\$ 119,671	\$ (119,671)
Other	500,000	500,000	32,892	467,108
Capital Outlay	3,850,000	4,910,000	5,256,662	(346,662)
Total Expenditures	<u>\$ 4,350,000</u>	<u>\$ 5,410,000</u>	<u>\$ 5,409,225</u>	<u>\$ 775</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,001,500</u>	<u>\$ 7,001,500</u>	<u>\$ 4,566,778</u>	<u>\$ 2,975,278</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,150,000)	\$ (1,395,000)	\$ (1,393,044)	\$ 1,956
Net Changes in Fund Balances	<u>\$ 5,851,500</u>	<u>\$ 5,606,500</u>	<u>\$ 3,173,734</u>	<u>\$ 2,977,234</u>
Fund Balance - January 1	<u>\$ 7,245,652</u>	<u>\$ 7,245,652</u>	<u>\$ 7,245,652</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 13,097,152</u>	<u>\$ 12,852,152</u>	<u>\$ 10,419,386</u>	<u>\$ 2,977,234</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2016

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

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.712207%	0.665753%	0.655469%
District's proportionate share of the net pension liability (asset)	\$ 6,941,151	\$ 4,527,007	\$ 4,160,402
District's covered-employee payroll	\$ 7,177,366	\$ 5,931,052	\$ 5,521,525
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

*Complete data for this schedule is not available prior to 2014.

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

	2016	2015	2014
Statutorily required contribution	\$ 511,028	\$ 422,291	\$ 393,133
Contributions in relation to the statutorily required contribution	\$ (511,028)	\$ (422,291)	\$ (393,133)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,177,366	\$ 5,931,052	\$ 5,521,525
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

CITY OF WEST FARGO
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with GAAP, and state law as outlined in various sections of North Dakota Century Code (NDCC) Chapter 40-40 for the general fund, each special revenue fund and each debt service fund of the municipality. The city is required to present the adopted and final amended revenues and expenditures for each of these funds.

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

- The governing body of each municipality, annually or before September tenth, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (NDCC 40-40-04).
- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (NDCC 40-40-05).
- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (NDCC 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (NDCC 40-40-09).
- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).

CITY OF WEST FARGO

Notes to the Required Supplementary Information - Continued

- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability the members of the governing body (NDCC 40-40-15).
- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. He governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

NOTE 2: PENSIONS - CHANGES OF ASSUMPTIONS

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

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS
For the Year Ended December 31, 2016

	Balance 1-1-16	Revenues	Transfers In	Other Financing Sources (gross)	Transfers Out	Expenditures	Balance 12-31-16
General Fund (Major)	\$ 12,499,726.20	\$ 13,068,639.00	\$ 1,555,013.87	\$ -	\$ 389,919.34	\$ 12,768,217.96	\$ 13,965,241.77
General Fund Reserve	7,330,535.22	792,501.98	-	-	-	92,298.02	8,030,739.18
Total General Fund	\$ 19,830,261.42	\$ 13,861,140.98	\$ 1,555,013.87	\$ -	\$ 389,919.34	\$ 12,860,515.98	\$ 21,995,980.95
Sales Tax (Major)	\$ 6,478,220.44	\$ 9,964,401.94	\$ -	\$ -	\$ 1,393,044.04	\$ 5,409,225.28	\$ 9,640,353.06
Special Revenue Funds (Nonmajor):							
City's Share of Specials	\$ 40,650.44	\$ 111,419.43	\$ -	\$ -	\$ -	\$ 110,461.14	\$ 41,608.73
Fire Fund	137,638.95	744,085.52	-	-	-	726,248.51	155,475.96
Building Fund	104,390.41	8,292.64	387,919.34	-	-	499,694.09	908.30
Gaming Funds	26,429.15	12,264.14	-	-	-	-	38,693.29
Municipal Highway Fund	485,753.78	1,555,677.61	-	-	1,555,013.87	117,056.46	369,361.06
Lodging Tax	83,334.24	2,437.50	-	-	-	17,060.87	68,710.87
FM Visitor's Bureau-Lodging	-	194,265.18	-	-	-	194,265.18	-
Otto Bremer Grant Crisis Training	6,670.36	-	-	-	-	3,303.30	3,367.06
Vector Control	7,509.38	88,775.40	-	-	-	86,718.02	9,566.76
Forestry	106,318.77	111,524.98	-	-	-	145,873.92	71,969.83
National Night Out (Night to Unite)	1,331.78	2,950.00	2,000.00	-	-	5,281.84	999.94
Future Building	972,485.96	7,632.86	-	-	-	685,262.17	294,856.65
West Fest	25,441.14	28,900.00	-	-	-	22,304.37	32,036.77
Cruise Night	4,936.04	15,000.00	-	-	-	8,840.43	11,095.61
Asset Forfeitures	8,923.29	88,242.42	-	-	-	16,209.31	80,956.40
Economic Development	438,689.49	425.06	-	-	-	38,581.38	400,533.17
Library General	522,753.36	1,091,981.14	-	-	-	1,006,610.40	608,124.10
Airport Authority Bond Construction	105,011.37	31,857.46	-	-	-	-	136,868.83
Airport Authority	118,979.82	180,988.30	-	-	-	166,066.44	133,901.68
Total Special Revenue Funds (Nonmajor)	\$ 3,197,247.73	\$ 4,276,719.64	\$ 389,919.34	\$ -	\$ 1,555,013.87	\$ 3,849,837.83	\$ 2,459,035.01
Total Special Revenue Funds	\$ 9,675,468.17	\$ 14,241,121.58	\$ 389,919.34	\$ -	\$ 2,948,057.91	\$ 9,259,063.11	\$ 12,099,388.07
Debt Service Funds (Major):							
2011-C RIB	\$ 1,485,035.10	\$ 741,055.21	\$ -	\$ -	\$ -	\$ 736,352.00	\$ 1,489,738.31
RIB 2011 B (recall 2004B)	247,614.47	273,204.92	-	-	-	338,040.50	182,778.89
2005 A Refunding Improvement Bonds	2,383,296.01	285,787.70	-	-	-	680,198.00	1,988,885.71
Sidewalk 6043 - 2006	(13,192.32)	10,839.65	-	-	-	22,301.00	(24,653.67)
Sidewalk 6042 - 2005	28,678.63	16,705.03	-	-	-	21,007.00	24,376.66
Sidewalk 6044 - 2007	35,474.98	12,046.74	-	-	-	23,155.00	24,366.72
2008-B RIB	189,305.97	210,959.56	-	-	-	243,082.50	157,183.03
2008-C RIB	1,177,395.23	1,225,812.31	-	-	-	636,094.00	1,767,113.54
2009-A RIB (from 2001/2001c/2002)	1,081,874.94	515,755.45	-	-	-	777,201.00	820,429.39
2009-B RIB (from 2003C & 2003D)	503,011.21	192,603.86	-	-	-	318,635.00	376,980.07
2005-C Refunding Bonds	114,227.99	156,485.36	-	-	-	245,557.00	25,156.35
2006 A RIB	219,668.90	407,799.67	500,000.00	-	-	737,147.00	390,321.57
2007A RIB	1,317,940.95	732,314.04	-	-	-	881,000.00	1,169,254.99
2007B RIB	1,268,075.36	447,822.93	-	-	-	552,190.00	1,163,708.29
G.O. Bonds 2009	8,288.45	4.50	950,000.00	-	-	949,943.50	8,349.45
Municipal Bonds 2009 NDPFA	154,680.31	60,084.61	-	-	-	32,495.84	182,269.08
2009-C RIB	581,296.40	562,877.68	-	-	-	563,940.25	580,233.83
2010 A - RIB (refund of 2003E & 2004A)	1,239,727.93	702,355.02	-	-	-	703,760.25	1,238,322.70
2010 B - RIB	419,109.03	472,070.47	-	-	-	511,610.50	379,569.00
Sidewalk Refunding Bonds 2010	37,311.65	52,400.87	-	-	-	60,900.50	28,812.02
2012 A-RIB	1,404,613.07	1,235,923.01	-	-	-	1,227,989.54	1,412,546.54
2012 Sidewalk Refunding Bonds	36,929.02	20,887.48	-	-	-	18,646.00	39,170.50
2012 C (Ref of 2005B & 2005D)	1,380,984.43	1,159,926.37	-	-	-	1,392,592.00	1,148,318.80
2012 D Special Assessment Bond	2,527,857.84	2,882,117.98	-	-	-	3,144,426.02	2,265,549.80
2012 Sales Tax Bonds	304,182.75	317.32	443,044.04	-	55,739.00	375,776.08	316,029.03
Reserve for 2012 Sales Tax Bonds	206,478.50	292.52	-	-	-	-	206,771.02
2013 A RIB	1,472,800.02	1,212,275.92	-	-	-	1,107,706.00	1,577,369.94
2013B RIB	728,615.93	1,930,641.02	-	-	-	1,103,693.76	1,555,563.19
2012 Sidewalk District (6050)	(181,334.82)	34,443.50	-	-	-	-	(146,891.32)
2014A RIB	(166,982.15)	1,549,738.83	12,839.00	-	-	1,378,534.98	17,060.70
2014B RIB	(54,329.01)	1,338,458.53	-	-	-	1,765,649.00	(481,519.48)
2015A RIB	2,620,703.01	1,924,625.70	-	-	-	2,742,742.99	1,802,585.72
2015B RIB	2,408,406.12	191,042.20	175,401.06	-	-	648,549.61	2,126,299.77
2016A RIB	-	60,740.77	-	-	-	-	60,740.77
2067	1,652,168.33	58,232.06	-	-	-	-	1,710,400.39
TIF Bonds Sterling Industrial Park (to 3377)	702,390.11	708,769.22	-	-	500,000.00	-	911,159.33
TIF Butler (to 3360 and 3366)	732,008.37	432,353.06	-	-	-	6,640.69	1,157,720.74
TIF Titan Machinery (to 3370)	(1,120,386.61)	366,333.23	-	-	-	118,014.21	(872,067.59)
Total Debt Service Funds	\$ 27,133,926.10	\$ 22,186,104.30	\$ 2,081,284.10	\$ -	\$ 555,739.00	\$ 24,065,571.72	\$ 26,780,003.78
Capital Projects Funds (Major):							
Capital Improvements	\$ 655,485.42	\$ 201,698.30	\$ -	\$ -	\$ -	\$ 32,284.99	\$ 824,898.73
Storm Lift Station	-	-	-	-	-	744,884.92	(744,884.92)
2241 5th St. West. Ext. (27th to 28th Ave. W.)	-	-	-	-	-	32,945.25	(32,945.25)
2240 8th Ave. NW. & 26th St. NW - Paving	-	-	-	-	-	1,487,265.17	(1,487,265.17)
2242 Street Improvement District	-	-	-	-	-	19,726.00	(19,726.00)
Meadow Ridge Pond Repair Fund	13,701.60	-	-	-	13,701.60	-	-

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CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS
For the Year Ended December 31, 2016

	Balance 1-1-16	Revenues	Transfers In	Other Financing Sources (gross)	Transfers Out	Expenditures	Balance 12-31-16
CONTINUED...							
Capital Projects Funds (Major):							
4054 Regional Stm Lft	\$ (1,748,859.84)	\$ -	\$ -	\$ -	\$ -	\$ 3,030,730.43	\$ (4,779,590.27)
4055 Christianson's 3rd Lift	(627,652.72)	2,694.28	-	670,000.00	-	40,178.21	4,863.35
4056 - Meadow Ridge Stm Lift	(312,492.73)	2,473.11	-	615,000.00	-	303,069.04	1,911.34
4045 Southside General Storm Sewer	(8,330.50)	-	-	-	-	-	(8,330.50)
4058 Storm Lift Station (SM 71)	-	-	-	-	-	390,810.89	(390,810.89)
2243 Street Improvement District	-	-	-	-	-	581.54	(581.54)
2219 7th Ave - 17th to 45th Street Impr.	(3,925.81)	-	-	-	-	1,418.89	(5,344.70)
1279 12th Ave N-45th Str to Cty 19 Impr	(2,192,065.33)	-	-	-	-	2,405,287.62	(4,597,352.95)
1273 Main Ave. Phase III NHU-8-010(032)932	(4,697,124.55)	-	-	-	-	4,295,998.48	(8,993,123.03)
1260 1.5mm gallon water tower	(175,546.62)	1,255,423.43	-	-	-	2,485,755.72	(1,405,878.91)
1268-River's Bend 2nd Addition	41,886.28	-	-	-	-	41,886.28	-
1271-North Pond 4th	694.00	-	-	-	-	694.00	-
1276-Christianson's 2nd	(148,918.73)	784.16	-	195,000.00	-	43,316.85	3,548.58
1284 Christianson Dr	(914,693.86)	8,082.83	-	2,010,000.00	-	1,087,836.83	15,552.14
1285-Eaglewood 4th	58,644.97	-	-	-	51,098.70	7,546.27	-
1287 - Sheyenne & 52nd Ave Water Main	(43,943.99)	569,046.64	-	-	-	911,932.42	(386,829.77)
1288 Wilds 7th Addition	(2,492,350.85)	448,943.41	-	3,085,000.00	-	944,834.58	96,757.98
1289 26th St NE & Diversion Road	(792,700.20)	-	-	-	-	8,387,274.06	(9,179,974.26)
1291 Brooks Harbor 5th & 6th	(235.00)	31,024.41	-	7,715,000.00	-	7,662,889.31	82,900.10
1290 7th AVE NW & Center St	(1,972.00)	-	-	-	-	-	(1,972.00)
1293 Wild's 8th Addition	-	-	-	-	-	1,063,240.08	(1,063,240.08)
1294 Eaglewood 5th Addition	-	-	-	-	-	1,961,691.70	(1,961,691.70)
1295 Highland Meadows 2nd Addition	-	-	-	-	-	85.00	(85.00)
1296 Lagoon System Improvements	-	-	-	-	-	114.00	(114.00)
1297 Sewer Improvement District	-	-	-	-	-	1,052,415.95	(1,052,415.95)
1298 Eagle Run Plaza 5th Addition	-	-	-	-	-	463,841.64	(463,841.64)
1301 Water Storm Sewer Street District	-	-	-	-	-	176.00	(176.00)
1299 Lift Station SA13 Rehabilitation	-	-	-	-	-	447.41	(447.41)
6052 Sidewalk Improvement District 2016	-	-	-	-	-	320,502.01	(320,502.01)
2157 13th Ave. West	(300.00)	-	-	-	-	-	(300.00)
Sheyenne St S of I94	(92,670.50)	-	-	-	-	597,383.93	(690,054.43)
2233-40th Ave E (Shey to Dr 21-Shard w/Fargo)	(10,640,118.01)	51,673.83	-	12,850,000.00	-	2,259,543.79	2,012.03
2234-33rd Ave E to Prairie Hgts Drive	(15,190.80)	-	-	-	-	-	(15,190.80)
2236-52nd Avenue Paving	8,807.86	-	-	-	81,402.36	(72,594.50)	-
2333-Ph II-32nd Ave Shey to Veterans	(17,487.65)	17,487.65	-	-	-	-	-
2239 32 & 40th Ave W to Diversion	(1,294.62)	-	-	6,691,805.08	-	10,970,344.91	(4,279,834.45)
Total Capital Projects Funds	\$ (24,146,189.75)	\$ 2,589,332.05	\$ -	\$ 33,831,805.08	\$ 146,202.66	\$ 52,976,372.07	\$ (40,847,627.35)
Total Governmental Funds	\$ 32,493,465.94	\$ 52,877,698.91	\$ 4,026,217.31	\$ 33,831,805.08	\$ 4,039,918.91	\$ 99,161,522.88	\$ 20,027,745.45
Enterprise Funds:							
Sewer and Water Operating	\$ 5,178,718.47	\$ 8,292,330.24	\$ 13,701.60	\$ -	\$ -	\$ 6,979,070.25	\$ 6,505,680.06
City Utility	307,882.79	207,293.12	-	-	-	130,522.84	384,653.07
Repl & Deprec. SWOP	30,000.00	-	-	-	-	-	30,000.00
Sewage Surcharge	288,975.26	6,824.60	-	-	-	-	295,799.86
2012 Ref Water/Sewer Reserve (2005)	665,660.22	-	-	-	-	-	665,660.22
Water/Sewer 2009 Reserve	601,646.26	-	-	-	-	-	601,646.26
South Facilities Hookup	2,501,169.74	330,595.62	-	-	-	55,440.00	2,776,325.36
Total Sewer and Water	\$ 9,574,052.74	\$ 8,837,043.58	\$ 13,701.60	\$ -	\$ -	\$ 7,165,033.09	\$ 11,259,764.83
Health and Sanitation Operating	\$ 2,067,138.69	\$ 3,438,723.03	\$ -	\$ -	\$ -	\$ 4,146,611.87	\$ 1,359,249.85
Total Enterprise Funds	\$ 11,641,191.43	\$ 12,275,766.61	\$ 13,701.60	\$ -	\$ -	\$ 11,311,644.96	\$ 12,619,014.68
Total Govt. & Enterprise Funds	\$ 44,134,657.37	\$ 65,153,465.52	\$ 4,039,918.91	\$ 33,831,805.08	\$ 4,039,918.91	\$ 110,473,167.84	\$ 32,646,760.13
Agency Funds:							
Park	\$ -	\$ 1,139,206.48	\$ -	\$ -	\$ -	\$ 686,763.57	\$ 452,442.91
Park Sp Assmt 2003-1	178.56	4,720.08	-	-	-	4,898.64	-
Shadowwood Pk Sp.2010	415.12	18,767.25	-	-	-	19,182.37	-
2011 Maple Ridge Park Special Assmts	-	20,364.32	-	-	-	20,364.32	-
2011-1 Park Impr District	70,508.26	208,794.73	-	-	-	279,302.99	-
2014 Rivers Bend Park Imp District	4,474.30	84,406.76	-	-	-	88,881.06	-
Park Sp Assmt 2007-1	1,443.87	13,306.72	-	-	-	14,750.59	-
Community Development Block Grant (CDBG)	1,921.91	-	-	-	-	-	1,921.91
Tree Planting	382,904.80	97,253.56	-	-	-	47,975.00	432,183.36
Marvin Windows Escrow Sp Assmts	170,658.00	-	-	-	-	-	170,658.00
Titan Job Training Grant 5%	8,028.10	48,487.00	-	-	-	46,062.65	10,452.45
Energy Grant	15,800.00	-	-	-	-	-	15,800.00
Downtown Business Association	8,473.08	1,700.00	-	-	-	11.97	10,161.11
Windsor Green Subdivision	15,910.81	-	-	-	-	-	15,910.81
Eagle Run 8th-Land Development	118,516.89	-	-	-	-	-	118,516.89
Borud's Subdivision	21,739.37	-	-	-	-	-	21,739.37
Total Agency Funds	\$ 820,973.07	\$ 1,637,006.90	\$ -	\$ -	\$ -	\$ 1,208,193.16	\$ 1,249,786.81
Total Primary Government	\$ 44,955,630.44	\$ 66,790,472.42	\$ 4,039,918.91	\$ 33,831,805.08	\$ 4,039,918.91	\$ 111,681,361.00	\$ 33,896,546.94
Total Reporting Entity	\$ 44,955,630.44	\$ 66,790,472.42	\$ 4,039,918.91	\$ 33,831,805.08	\$ 4,039,918.91	\$ 111,681,361.00	\$ 33,896,546.94

STATE AUDITOR

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BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

City Commission
City of West Fargo
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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of West Fargo's basic financial statements, and have issued our report thereon dated March 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Fargo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Fargo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Fargo's internal control.

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

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

CITY OF WEST FARGO

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

Compliance and Other Matters

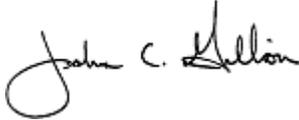
As part of obtaining reasonable assurance about whether the City of West Fargo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

City of West Fargo's Response to Findings

City of West Fargo's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. City of West Fargo's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 31, 2017

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Internal Control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None noted

Section II - Financial Statement Findings

No matters were reported.

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Division of Local Government Audit

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