



City of West Fargo  
West Fargo, North Dakota

# Audit Report

For the Year Ended December 31, 2015

**ROBERT R. PETERSON**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

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CITY OF WEST FARGO  
West Fargo, North Dakota

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For the Year Ended December 31, 2015

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CITY OF WEST FARGO  
West Fargo, North Dakota

**CITY OFFICIALS**

December 31, 2015

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	Carmen Schroeder
City Attorney	John Schockley

Current

President / Mayor	Rich Mattern
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Commissioner	Mark Wentz
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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**

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

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

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**INDEPENDENT AUDITOR'S REPORT**

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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, 2015, 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, 2015, 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.

***Emphasis of a Matter***

As discussed in Note 10 to the financial statements, during the year ended December 31, 2015, the City of West Fargo adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**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 40-44 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.

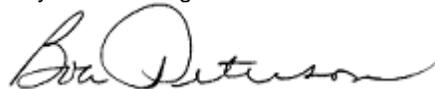
*Other Information*

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 August 5, 2016, 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.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
August 5, 2016

CITY OF WEST FARGO  
West Fargo, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 32,741,015	\$ 11,020,288	\$ 43,761,303
Accounts receivable	177,189	-	177,189
Utility billings receivable	-	632,307	632,307
Intergovernmental receivable	1,443,986	-	1,443,986
Other asset	-	1,389	1,389
Storefront loans receivable	125,686	-	125,686
TIF long-term loan receivable	1,533,000	-	1,533,000
Taxes receivable	68,292	-	68,292
Special assessments receivable - current	315,935	-	315,935
Long-Term Receivable:			
Long-term special assessments receivable	159,617,382	-	159,617,382
Capital Assets not being depreciated:			
Land	8,054,957	1,620,110	9,675,067
Construction in progress	45,131,475	-	45,131,475
Capital Assets being depreciated:			
Improvements to land	11,406	-	11,406
Buildings	1,217,847	2,091,182	3,309,029
Equipment	1,882,937	2,118,474	4,001,411
Infrastructure	67,310,197	252,503,147	319,813,344
Total Capital Assets	<u>\$ 123,608,819</u>	<u>\$ 258,332,913</u>	<u>\$ 381,941,732</u>
Total Assets	<u>\$ 319,631,304</u>	<u>\$ 269,986,897</u>	<u>\$ 589,618,201</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	\$ 366,466	\$ 133,364	\$ 499,830
Total Assets & Deferred Outflows of Resources	<u>\$ 319,997,770</u>	<u>\$ 270,120,261</u>	<u>\$ 590,118,031</u>
<b>LIABILITIES:</b>			
Accounts & accrued expenses payable	\$ 494,120	\$ 12,792	\$ 506,912
Construction payable	1,249,690	-	1,249,690
Retainages payable	1,061,082	-	1,061,082
Interest payable	1,298,586	110,410	1,408,996
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Bonds payable	15,090,000	610,000	15,700,000
Compensated absences	104,039	33,597	137,636
Portion Due or Payable After One Year:			
Bonds payable	209,530,000	13,870,000	223,400,000
Compensated absences	936,352	302,372	1,238,724
Net pension liability	3,303,221	1,223,786	4,527,007
Total Liabilities	<u>\$ 233,067,090</u>	<u>\$ 16,162,957</u>	<u>\$ 249,230,047</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	\$ 364,032	\$ 134,867	\$ 498,899
Total Liabilities & Deferred Inflows of Resources	<u>\$ 233,431,122</u>	<u>\$ 16,297,824</u>	<u>\$ 249,728,946</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 57,545,119	\$ 243,852,913	\$ 301,398,032
Restricted for:			
Public works/streets	291,555	-	291,555
Culture & recreation	498,753	-	498,753
Economic development	134,041	-	134,041
Other special purposes	266,545	-	266,545
Debt service	26,167,094	-	26,167,094
Loans	1,658,687	-	1,658,687
Unrestricted	4,854	9,969,524	9,974,378
Total Net Position	<u>\$ 86,566,648</u>	<u>\$ 253,822,437</u>	<u>\$ 340,389,085</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, 2015

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
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 3,673,810	\$ 3,292,114	\$ 155,974	\$ -	\$ (225,722)		\$ (225,722)
Public safety	6,432,562	383,908	553,769	-	(5,494,885)		(5,494,885)
Public works/streets	8,580,929	280,546	2,220,773	60,575,658	54,496,048		54,496,048
Economic development	108,206	-	-	-	(108,206)		(108,206)
Culture and recreation	954,586	55,948	-	-	(898,638)		(898,638)
Miscellaneous/other	198,511	18,000	-	-	(180,511)		(180,511)
Interest & costs on long-term debt	6,219,876	-	-	-	(6,219,876)		(6,219,876)
<b>Total Governmental Activities</b>	<b>\$ 26,168,480</b>	<b>\$ 4,030,516</b>	<b>\$ 2,930,516</b>	<b>\$ 60,575,658</b>	<b>\$ 41,368,210</b>		<b>\$ 41,368,210</b>
<b>Business-Type Activities:</b>							
Water and sewer	\$ 13,003,016	\$ 6,463,440	\$ -	\$ -	\$ -	\$ (6,539,576)	\$ (6,539,576)
Health and sanitation	3,118,997	3,151,347	-	143,643	-	175,993	175,993
<b>Total Business-Type Activities</b>	<b>\$ 16,122,013</b>	<b>\$ 9,614,787</b>	<b>\$ -</b>	<b>\$ 143,643</b>	<b>\$ -</b>	<b>\$ (6,363,583)</b>	<b>\$ (6,363,583)</b>
<b>Total Primary Government</b>	<b>\$ 42,290,493</b>	<b>\$ 13,645,303</b>	<b>\$ 2,930,516</b>	<b>\$ 60,719,301</b>	<b>\$ 41,368,210</b>	<b>\$ (6,363,583)</b>	<b>\$ 35,004,627</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes					\$ 6,158,537	\$ -	\$ 6,158,537
Property taxes, levied for debt service					1,168,568	-	1,168,568
Property taxes, levied for special purposes					2,079,891	-	2,079,891
Sales taxes					9,690,968	-	9,690,968
State aid distribution & other unrestricted revenues					2,224,931	-	2,224,931
Unrestricted investment interest earnings					638,721	9,911	648,632
Miscellaneous income					125,031	365,489	490,520
Bond discount					(689,527)	-	(689,527)
Bond premium					1,865,183	-	1,865,183
Transfers					(48,593,467)	48,593,467	-
<b>Total General Revenues and Transfers</b>					<b>\$ (25,331,164)</b>	<b>\$ 48,968,867</b>	<b>\$ 23,637,703</b>
<b>Change in Net Position</b>					<b>\$ 16,037,046</b>	<b>\$ 42,605,284</b>	<b>\$ 58,642,330</b>
Net Position - January 1					\$ 68,453,066	\$ 211,903,828	\$ 280,356,894
Prior Period Adjustments					2,076,536	(686,675)	1,389,861
<b>Net Position - January 1, as restated</b>					<b>\$ 70,529,602</b>	<b>\$ 211,217,153</b>	<b>\$ 281,746,755</b>
<b>Net Position - December 31</b>					<b>\$ 86,566,648</b>	<b>\$ 253,822,437</b>	<b>\$ 340,389,085</b>

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, 2015

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 19,836,323	\$ 6,478,220	\$ 2,928,751	\$ -	\$ 3,497,721	\$ 32,741,015
Accounts receivable	86,256	-	-	75,610	15,323	177,189
Intergovernmental receivable	488,173	767,432	-	-	188,381	1,443,986
TIF long-term receivable	-	-	1,533,000	-	-	1,533,000
Storefront loans receivable	-	-	-	-	125,686	125,686
Taxes receivable	38,198	-	15,819	-	14,275	68,292
Special assessments receivable - current	-	-	315,935	-	-	315,935
Special assessments receivable - deferred	-	-	159,617,382	-	-	159,617,382
Due from other city funds	-	-	24,221,800	-	-	24,221,800
<b>Total Assets</b>	<b>\$ 20,448,950</b>	<b>\$ 7,245,652</b>	<b>\$ 188,632,687</b>	<b>\$ 75,610</b>	<b>\$ 3,841,386</b>	<b>\$ 220,244,285</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
<u>Liabilities:</u>						
Accounts & accrued expenses payable	\$ 36,312	\$ -	\$ 16,625	\$ -	\$ 441,183	\$ 494,120
Construction payable	-	-	-	1,249,690	-	1,249,690
Due to other city funds	-	-	-	24,221,800	-	24,221,800
<b>Total Liabilities</b>	<b>\$ 36,312</b>	<b>\$ -</b>	<b>\$ 16,625</b>	<b>\$ 25,471,490</b>	<b>\$ 441,183</b>	<b>\$ 25,965,610</b>
<u>Deferred Inflows of Resources</u>						
Deferred taxes & special assmts. rec.	\$ 38,198	\$ -	\$ 159,949,136	\$ -	\$ 14,275	\$ 160,001,609
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$ 74,510</b>	<b>\$ -</b>	<b>\$ 159,965,761</b>	<b>\$ 25,471,490</b>	<b>\$ 455,458</b>	<b>\$ 185,967,219</b>
<u>Fund Balances:</u>						
<u>Non-Spendable:</u>						
Loans receivable	\$ -	\$ -	\$ 1,533,000	\$ -	\$ 125,686	\$ 1,658,686
<u>Restricted:</u>						
Debt service	-	-	27,133,926	-	-	27,133,926
General government	-	-	-	-	214,454	214,454
Public safety	-	-	-	-	153,233	153,233
Public works/streets	-	-	-	-	787,962	787,962
Culture & recreation	-	-	-	-	554,462	554,462
Economic development	-	-	-	-	313,003	313,003
Other	-	-	-	-	264,642	264,642
<u>Committed:</u>						
Sales tax fund	-	7,245,652	-	-	-	7,245,652
Future building fund	-	-	-	-	972,486	972,486
<u>Unassigned:</u>						
Negative fund balances	-	-	-	(25,395,880)	-	(25,395,880)
General fund	20,374,440	-	-	-	-	20,374,440
<b>Total Fund Balances</b>	<b>\$ 20,374,440</b>	<b>\$ 7,245,652</b>	<b>\$ 28,666,926</b>	<b>\$ (25,395,880)</b>	<b>\$ 3,385,928</b>	<b>\$ 34,277,066</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,448,950</b>	<b>\$ 7,245,652</b>	<b>\$ 188,632,687</b>	<b>\$ 75,610</b>	<b>\$ 3,841,386</b>	<b>\$ 220,244,285</b>

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, 2015

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Total <i>Fund Balances</i> for Governmental Funds	\$	34,277,066
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Total Net Position reported for governmental activities in the statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land (not depreciated)	\$	8,054,957	
Construction in Progress (not depreciated)		45,131,475	
Infrastructure, net of (\$46,353,961) accumulated depreciation		67,310,197	
Land Improvements, net of (\$2,281) accumulated depreciation		11,406	
Buildings, net of (\$1,114,154) accumulated depreciation		1,217,847	
Equipment, net of (\$2,106,258) accumulated depreciation		<u>1,882,937</u>	
Total Capital Assets			123,608,819

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	\$	159,617,382	
Uncollected Taxes Receivable		68,292	
Special Assessments Receivable		<u>315,935</u>	160,001,609

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. (1,061,082)

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	\$	(364,032)	
Pension Deferred Outflows of Resources		<u>366,466</u>	2,434

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, 2015 are:

Accrued Interest on Bonds	\$	(1,298,586)	
Special Assessment Bonds Payable		(214,945,000)	
TIF Bonds Payable		(885,000)	
General Obligation Bonds Payable		(7,105,000)	
Sales Tax Bonds Payable		(1,685,000)	
Net Pension Liability		(3,303,221)	
Compensated Absences		<u>(1,040,391)</u>	
Total Long-Term Liabilities			<u>(230,262,198)</u>

Total Net Position of Governmental Activities	\$	<u>86,566,648</u>
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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, 2015

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 6,155,120	\$ -	\$ 1,167,938	\$ -	\$ 2,076,613	\$ 9,399,671
Special assessments	-	-	19,763,484	-	144,624	19,908,108
Sales taxes	-	9,690,968	-	-	-	9,690,968
Licenses, permits and fees	3,322,800	-	-	-	-	3,322,800
Charges for services	-	-	-	110,425	316,999	427,424
Intergovernmental	3,198,249	-	-	-	1,957,198	5,155,447
Fines, forfeitures and penalties	280,292	-	-	-	-	280,292
Interest on investments	476,439	6,295	143,937	1,462	10,588	638,721
Miscellaneous	38,698	-	-	20,000	66,333	125,031
<b>Total Revenues</b>	<b>\$ 13,471,598</b>	<b>\$ 9,697,263</b>	<b>\$ 21,075,359</b>	<b>\$ 131,887</b>	<b>\$ 4,572,355</b>	<b>\$ 48,948,462</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	\$ 2,852,601	\$ -	\$ -	\$ -	\$ 754,546	\$ 3,607,147
Public safety	5,423,668	-	-	-	814,586	6,238,254
Public works/streets	2,253,047	-	-	-	412,836	2,665,883
Economic development	-	-	104,881	-	3,325	108,206
Culture and recreation	-	-	-	-	953,625	953,625
Other	-	2,777	26,000	-	165,151	193,928
Capital Outlay	-	-	-	46,157,355	5,905,109	52,062,464
<b>Debt Service:</b>						
Principal - Bonds	-	-	14,585,000	-	-	14,585,000
Interest	-	-	5,650,101	-	-	5,650,101
Fiscal charges & fees	-	-	179,904	-	-	179,904
<b>Total Expenditures</b>	<b>\$ 10,529,316</b>	<b>\$ 2,777</b>	<b>\$ 20,545,886</b>	<b>\$ 46,157,355</b>	<b>\$ 9,009,178</b>	<b>\$ 86,244,512</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 2,942,282</b>	<b>\$ 9,694,486</b>	<b>\$ 529,473</b>	<b>\$ (46,025,468)</b>	<b>\$ (4,436,823)</b>	<b>\$ (37,296,050)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from bond sale	\$ -	\$ -	\$ 1,129,969	\$ 51,520,031	\$ -	\$ 52,650,000
Bond premium	-	-	-	1,865,183	-	1,865,183
Bond discount	-	-	-	(689,527)	-	(689,527)
Transfers in	2,105,165	-	5,600,106	1,937,293	645,711	10,288,275
Transfers out	(478,510)	(5,009,900)	(300,000)	(4,677,198)	(2,655,201)	(13,120,809)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 1,626,655</b>	<b>\$ (5,009,900)</b>	<b>\$ 6,430,075</b>	<b>\$ 49,955,782</b>	<b>\$ (2,009,490)</b>	<b>\$ 50,993,122</b>
<b>Net Change in Fund Balances</b>	<b>\$ 4,568,937</b>	<b>\$ 4,684,586</b>	<b>\$ 6,959,548</b>	<b>\$ 3,930,314</b>	<b>\$ (6,446,313)</b>	<b>\$ 13,697,072</b>
Fund Balances - January 1	\$ 15,805,503	\$ 2,561,066	\$ 21,707,378	\$ (29,326,194)	\$ 9,849,589	\$ 20,597,342
Prior Period Adjustments	-	-	-	-	(17,348)	(17,348)
<b>Fund Balances - Jan. 1, as restated</b>	<b>\$ 15,805,503</b>	<b>\$ 2,561,066</b>	<b>\$ 21,707,378</b>	<b>\$ (29,326,194)</b>	<b>\$ 9,832,241</b>	<b>\$ 20,579,994</b>
<b>Fund Balances - December 31</b>	<b>\$ 20,374,440</b>	<b>\$ 7,245,652</b>	<b>\$ 28,666,926</b>	<b>\$ (25,395,880)</b>	<b>\$ 3,385,928</b>	<b>\$ 34,277,066</b>

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, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ 13,697,072

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	\$ 51,278,010	
Capital Contributions	8,969,648	
Transfer of Capital Assets to Enterprise Activities	(45,760,932)	
Depreciation on Capital Assets	(5,657,636)	
Losses on Disposal of Capital Assets & Abandoned Construction in Progress	<u>(76,092)</u>	8,752,998

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	\$ (52,650,000)	
Repayments:		
Bond Principal	<u>14,585,000</u>	(38,065,000)

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	\$ (10,388)	
Net Change in Retainages Payable	324,234	
Net Change in Interest Payable	<u>(389,871)</u>	(76,025)

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	\$ (267,500)	
Net Change in Deferred Inflows of Resources for Pensions	228,553	
Net Change in Deferred Outflows of Resources for Pensions	<u>61,721</u>	22,774

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: 31,592,040

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		7,325
Net Change in Special Assessments Receivable		<u>105,862</u>

Change in Net Position of Governmental Activities \$ 16,037,046

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, 2015

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 9,207,818	\$ 1,812,470	\$ 11,020,288
Other asset	1,389	-	1,389
Utility billings receivable	364,845	267,462	632,307
Total Current Assets	<u>\$ 9,574,052</u>	<u>\$ 2,079,932</u>	<u>\$ 11,653,984</u>
Noncurrent Assets:			
Capital Assets not being depreciated:			
Land	\$ 1,620,110	\$ -	\$ 1,620,110
Capital Assets being depreciated:			
Building	1,127,786	963,396	2,091,182
Equipment	1,122,982	995,492	2,118,474
Infrastructure	252,503,147	-	252,503,147
Total Noncurrent Assets	<u>\$ 256,374,025</u>	<u>\$ 1,958,888</u>	<u>\$ 258,332,913</u>
Total Assets	<u>\$ 265,948,077</u>	<u>\$ 4,038,820</u>	<u>\$ 269,986,897</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	\$ 81,338	\$ 52,026	\$ 133,364
Total Assets & Deferred outflows of resources	<u>\$ 266,029,415</u>	<u>\$ 4,090,846</u>	<u>\$ 270,120,261</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ -	\$ 12,792	\$ 12,792
Interest payable	110,410	-	110,410
Bonds payable	610,000	-	610,000
Compensated absences	25,529	8,068	33,597
Total Current Liabilities	<u>\$ 745,939</u>	<u>\$ 20,860</u>	<u>\$ 766,799</u>
Noncurrent Liabilities:			
Bonds payable	\$ 13,870,000	\$ -	\$ 13,870,000
Compensated absences	229,761	72,611	302,372
Net Pension Liability	742,669	481,117	1,223,786
Total Noncurrent Liabilities	<u>\$ 14,842,430</u>	<u>\$ 553,728</u>	<u>\$ 15,396,158</u>
Total Liabilities	<u>\$ 15,588,369</u>	<u>\$ 574,588</u>	<u>\$ 16,162,957</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	\$ 81,846	\$ 53,021	\$ 134,867
Total Liabilities & Deferred Inflows of Resources	<u>\$ 15,670,215</u>	<u>\$ 627,609</u>	<u>\$ 16,297,824</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 241,894,025	\$ 1,958,888	\$ 243,852,913
Unrestricted	8,465,175	1,504,349	9,969,524
Total Net Position	<u>\$ 250,359,200</u>	<u>\$ 3,463,237</u>	<u>\$ 253,822,437</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, 2015

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>Operating Revenues:</u>			
Charges for sales services	\$ 6,463,440	\$ 3,151,347	\$ 9,614,787
<u>Operating Expenses:</u>			
Water and sewer operating	\$ 4,942,847	\$ -	\$ 4,942,847
Sanitation operating	-	2,897,021	2,897,021
Depreciation	7,321,924	182,697	7,504,621
Total Operating Expenses	\$ 12,264,771	\$ 3,079,718	\$ 15,344,489
Operating Income	\$ (5,801,331)	\$ 71,629	\$ (5,729,702)
<u>Nonoperating Revenues (Expenses):</u>			
Investment earnings	\$ 7,489	\$ 2,422	\$ 9,911
Miscellaneous revenue	365,489	-	365,489
Capital contribution	-	143,643	143,643
Miscellaneous expense	(58,349)	-	(58,349)
Interest expense & fees on long-term debt	(679,882)	-	(679,882)
Loss on capital assets	(14)	(39,279)	(39,293)
Total Nonoperating Revenue (Expenses)	\$ (365,267)	\$ 106,786	\$ (258,481)
Income Before Transfers	\$ (6,166,598)	\$ 178,415	\$ (5,988,183)
Transfers in (cash)	\$ 2,832,534	\$ -	\$ 2,832,534
Transfers in (govt. activities capital assets)	45,760,933	-	45,760,933
Total Net Transfers	\$ 48,593,467	\$ -	\$ 48,593,467
Changes in Net Position	\$ 42,426,869	\$ 178,415	\$ 42,605,284
Net Position - January 1	\$ 208,137,415	\$ 3,766,413	\$ 211,903,828
Prior Period Adjustments	(205,084)	(481,591)	(686,675)
Net Position - January 1, as restated	\$ 207,932,331	\$ 3,284,822	\$ 211,217,153
Net Position - December 31	\$ 250,359,200	\$ 3,463,237	\$ 253,822,437

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, 2015

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Operating	Sanitation & Health Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from customers and users	\$ 6,443,060	\$ 3,129,371	\$ 9,572,431
Payments to suppliers	(2,951,385)	(1,719,731)	(4,671,116)
Payments to employees	(1,991,695)	(1,177,798)	(3,169,493)
Net Cash Provided by Operating Activities	<u>\$ 1,499,980</u>	<u>\$ 231,842</u>	<u>\$ 1,731,822</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Miscellaneous receipts	\$ 91,454	\$ -	\$ 91,454
Miscellaneous disbursements	(59,136)	-	(59,136)
Maintenance agreement revenue	137,046	-	137,046
Transfer in	2,832,534	233,670	3,066,204
Transfers out	-	(233,670)	(233,670)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 3,001,898</u>	<u>\$ -</u>	<u>\$ 3,001,898</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal paid on capital debt	\$ (590,000)	\$ -	\$ (590,000)
Interest & fees paid on capital debt	(682,880)	-	(682,880)
Interest subsidy (build America bonds)	136,989	-	136,989
Construction & purchases of capital assets	(515,664)	(94,134)	(609,798)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (1,651,555)</u>	<u>\$ (94,134)</u>	<u>\$ (1,745,689)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest income	\$ 7,489	\$ 2,422	\$ 9,911
Net Increase in Cash and Cash Equivalents	<u>\$ 2,857,812</u>	<u>\$ 140,130</u>	<u>\$ 2,997,942</u>
Cash and Cash Equivalents - January 1	<u>\$ 6,350,006</u>	<u>\$ 1,672,340</u>	<u>\$ 8,022,346</u>
Cash and Cash Equivalents - December 31	<u>\$ 9,207,818</u>	<u>\$ 1,812,470</u>	<u>\$ 11,020,288</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (loss)	\$ (5,801,331)	\$ 71,629	\$ (5,729,702)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Depreciation expense	7,321,924	182,697	7,504,621
Decrease (increase) in utility billing receivables	(20,380)	(21,976)	(42,356)
Increase (decrease) in compensated absences	5,764	1,666	7,430
Net change in accrued payables	(5,997)	(2,174)	(8,171)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,499,980</u>	<u>\$ 231,842</u>	<u>\$ 1,731,822</u>

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

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CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES  
AGENCY FUNDS  
December 31, 2015

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	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and investments	<u>\$ 821,353</u>
Total Assets	<u><u>\$ 821,353</u></u>
<u>LIABILITIES:</u>	
Accounts payable	\$ 380
Due to others	<u>820,973</u>
Total Liabilities	<u><u>\$ 821,353</u></u>

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

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CITY OF WEST FARGO  
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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**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

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

Penalty and interest are added on March 1<sup>st</sup> if the first half of the year taxes is not paid. Additional penalty and interest are added October 15<sup>th</sup> 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 FARGO**

Notes to the Financial Statements – Continued

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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:

<b>Assets</b>	<b>Years</b>
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

**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:

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
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, 2015.

Non-spendable fund balances are reported in various debt service funds (3730, 3982, & 3983) totaling \$1,533,000 for loans receivable, and Economic Development loans receivable of \$125,686 for a total of \$1,658,686.

## CITY OF WEST FARGO

### Notes to the Financial Statements – Continued

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Restricted fund balances are reported for the debt service fund of \$27,133,926, 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 \$7,245,652, committed by the governing board to close out various capital projects and for debt service, and the Future Building Fund in the amount of \$972,486, also committed by the governing board for construction which started in 2015.

Unassigned fund balances are reported for the general fund \$20,374,440 and for negative fund balances reported in the capital projects fund \$(25,395,880) for a total of (\$5,021,440).

#### **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.

#### **8. 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.

<b>NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS</b>
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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 \$52,289,582 differences are as follows on the next page:

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

Total Governmental Fund Balances	\$ 34,277,066
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	123,608,819
Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds (taxes & special assessments receivables)	160,001,609
Long-term liabilities, including bonds payable, accrued interest payable and others, and are not due and payable in the current period and not reported in the funds.	
Bonds Payable	(224,620,000)
Interest Payable	(1,298,586)
Net Pension Liability	(3,303,221)
Net Pension deferred outflows and deferred inflows	2,434
Retainages Payable	(1,061,082)
Compensated Absences Payable	(1,040,391)
Net Position of Governmental Activities	\$ 86,566,648

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 \$2,339,974 difference are as follows:

Net Changes in Fund Balance-Governmental Funds	\$ 13,697,072
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.	54,513,930
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.	(389,871)
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.	(10,388)
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.	324,234

**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.	\$(45,760,932)
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.	7,325
Bond 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.	(52,650,000)
Pension items are not reported in the funds related to the changes in net pension liability, deferred outflows and inflows of resources.	22,774
Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in statement of net position.	14,585,000
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:	31,697,902
Change in Net Position of Governmental Activities	\$ 16,037,046

**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 2015 city budget (expenditures and transfers out):

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendments	Amended Budget
<b>Major Funds:</b>			
General Fund Reserve (transfers out)	\$ 250,000	\$ 65,097	\$ 315,097
Building & Technology	430,839	25,546	456,385
Municipal Highway	2,000,000	796,072	2,796,072
Lodging Tax	20,000	1,295	21,295
FM Visitor's Bureau	30,000	113,971	143,971
Otto Brehmer Grant	-	4,950	4,950
Vector Control	70,000	14,986	84,986
Future Building	5,000,000	905,109	5,905,109
West Fest	20,000	11,007	31,007
Cruiste Night	8,000	5,032	13,032
Asset Forfeitures	15,000	71,862	86,862
Capital Improvements	-	637,437	637,437
RIB - 2010B	353,710	62	353,772
RIB - 2011A	709,302	63	709,365
Sidewalk 6043 - 2006	28,160	50	28,210
Sidewalk 6042 - 2005	22,305	121	22,426
Sidewalk 6044 - 2007	23,895	64	23,959
RIB - 2008B	250,448	39	250,487
RIB - 2008C	664,830	68	664,898
RIB - 2009A	809,665	40	809,705
Refunding Bond 2005C	500,100	176	500,276
RIB - 2009B	377,764	44	377,808
RIB - 2012B	710,000	51,994	761,994
GO Bonds 2009	953,363	8	953,371
2012 Sales Tax Bonds	217,076	104,734	321,810
RIB - 2014B	-	715,908	715,908
RIB - 2015A	-	2,392,987	2,392,987
TIF - Butler	-	307,334	307,334

**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,

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

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, 2015, the city’s carrying amount of deposits was \$44,582,298, and the bank balances were \$46,266,811. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$45,016,811 were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

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, 2015, the city held certificates of deposit totaling \$1,118,968.

The City’s bond rating was A1 during the year ended December 31, 2015.

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:

<b>Receivables:</b>	<b>General</b>	<b>Non Major Funds</b>	<b>Debt/Cap. Const.</b>	<b>Sales Tax</b>	<b>Water/ Sewer</b>	<b>Health/ Sanitation</b>	<b>Total</b>
Accounts Rec.	\$ 86,256	\$ 15,323	\$ 75,610	\$ -	\$ -	\$ -	\$ 177,189
Utility Billings Rec.	-	-	-	-	364,845	267,462	632,307
Taxes Receivable	38,198	14,275	15,819	-	-	-	68,292
Loans Receivable	-	125,686	-	-	-	-	125,686
TIF Receivable	-	-	1,533,000	-	-	-	1,533,000
Specials-Current	-	-	315,935	-	-	-	315,935
Specials-LT Uncertified	-	-	159,617,382	-	-	-	159,617,382
Intergovt.-Receivable	488,173	188,381	-	767,432	-	-	1,443,986
<b>Total Receivables</b>	<b>\$612,627</b>	<b>\$343,665</b>	<b>\$161,557,746</b>	<b>\$767,432</b>	<b>\$364,845</b>	<b>\$267,462</b>	<b>\$163,913,777</b>

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	\$ 38,198
Taxes Receivable - NM Funds	14,275
Taxes Receivable - Debt Service Funds	15,819
Special Assessments Receivable-Current	315,935
LT Uncertified Spec. Assessments Receivable	159,617,382
<b>Total Deferred Inflows - Balance Sheet</b>	<b>\$160,001,609</b>

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.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

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.

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 \$125,686 is made up of the following individual balances:

<b>Name/Business</b>	<b>Beg. Balance 1/1/15</b>	<b>New Loans</b>	<b>Adjustments/ Payments</b>	<b>Ending Balance 12/31/15</b>
Sandy's Donuts	\$ 16,493	\$ -	\$ 2,004	\$ 14,489
Off the Wall Advertising	16,827	-	2,004	14,823
Silver Dollar	17,161	-	2,004	15,157
Bordertown	17,495	-	2,004	15,491
JSM Woodworks	3,325	-	3,325	-
Dan's Service Center	20,000	-	4,008	15,992
Westside Salon	-	15,702	-	15,702
Westgo Square	-	16,444	408	16,036
Payroll Express	19,833	-	1,837	17,996
<b>Total Loans Receivable</b>	<b>\$ 111,134</b>	<b>\$ 32,146</b>	<b>\$ 17,594</b>	<b>\$ 125,686</b>

Tax Increment Financing Loans receivable detail:

Tax increment financing loans receivable total of \$1,533,000 is made up of the following individual balances:

<b>Fund</b>	<b>Beg. Balance 1/1/15</b>	<b>New Loans</b>	<b>Adjustments/ Payments</b>	<b>Ending Balance 12/31/15</b>
Due from Highpoint TIF	\$ 400,000	\$ -	\$ 24,112	\$ 375,888
Due from Lexstar TIF	175,342	-	17,325	158,017
Due from Tital TIF	1,000,000	-	93,608	906,392
TIF Butler	24,658	17,325	-	41,983
TIF Titan	-	50,720	-	50,720
<b>Total TIF Loans</b>	<b>\$ 1,600,000</b>	<b>\$ 68,045</b>	<b>\$ 135,045</b>	<b>\$ 1,533,000</b>

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

C. Inter-fund Receivables/Payables and Transfers

Interfund receivables & payables -- the amount of due to/from other funds represents the \$24,221,800 total that the capital projects fund owes the debt service fund (\$24,221,800) 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, 2015 (does not include capital asset transfers between governmental and business-type activities):

<b>Transfers In</b>							
<b>Transfers Out</b>	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Non-Major Funds</b>	<b>Water Fund</b>	<b>Garbage Fund</b>	<b>Total</b>
General	\$ -	\$ -	\$ 42,799	\$ 435,711	\$ -	\$ -	\$ 478,510
Sales Tax	-	3,102,830	1,594,494	210,000	102,576	-	5,009,900
Debt Service	-	-	300,000	-	-	-	300,000
Capital Projects	295,929	2,497,276	-	-	1,883,993	-	4,677,198
Non-Major	1,809,236	-	-	-	845,965	-	2,655,201
Garbage Fund	-	-	-	-	-	233,670	233,670
<b>Totals</b>	<b>\$2,105,165</b>	<b>\$5,600,106</b>	<b>\$ 1,937,293</b>	<b>\$ 645,711</b>	<b>\$ 2,832,534</b>	<b>\$ 233,670</b>	<b>\$ 13,354,479</b>

Interfund cash transfers in/out totaling \$13,354,479 consist of the following:

- \$1,765,475 from highway tax to the general fund for street expenses
- \$5,000 from the gaming fund to the general fund for administration
- \$298,000 from the general fund to the future building fund to help fund city hall remodeling expenses
- \$100,000 from the general fund to the forestry fund for operating expenses
- \$80,510 out of general fund reserve into three capital projects funds (\$42,799), and into the forestry fund (\$37,711)
- \$334,690 into general fund reserve (general fund) from various capital projects funds totaling \$295,929, and from fund 2120 (911 fund) for \$38,761
- \$2,832,534 to water & sewer funds from sales tax fund for water treatment and wells
- \$1,355,778 from sales tax to debt service funds 3368 & 3379 for scheduled debt payments
- \$611,588 from sales tax fund to various capital projects funds for various infrastructure projects.
- \$200,000 from the sales tax fund to the economic development fund
- \$10,000 from the sales tax fund to the lodging tax fund for operations

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

D. Capital Assets

<b>Governmental Activities:</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,021,057	\$ 33,900	\$ -	\$ 8,054,957
Construction in Progress	39,748,603	59,784,805	54,401,933	45,131,475
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 47,769,660</b>	<b>\$ 59,818,705</b>	<b>\$ 54,401,933</b>	<b>\$ 53,186,432</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,332,001	\$ -	\$ -	\$ 2,332,001
Equipment	3,683,213	428,953	122,971	3,989,195
Land Improvements	13,687	-	-	13,687
Infrastructure	105,082,076	8,582,082	-	113,664,158
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 111,110,977</b>	<b>\$ 9,011,035</b>	<b>\$ 122,971</b>	<b>\$ 119,999,041</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 1,043,140	\$ 71,014	\$ -	\$ 1,114,154
Equipment	1,888,648	323,407	105,797	2,106,258
Land Improvements	1,825	456	-	2,281
Infrastructure	41,091,203	5,262,758	-	46,353,961
<b>Total Accumulated Depreciation</b>	<b>\$ 44,024,816</b>	<b>\$ 5,657,635</b>	<b>\$ 105,797</b>	<b>\$ 49,576,654</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 67,086,161</b>	<b>\$ 3,353,400</b>	<b>\$ 17,174</b>	<b>\$ 70,422,387</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 114,855,821</b>	<b>\$ 63,172,105</b>	<b>\$ 54,419,107</b>	<b>\$ 123,608,819</b>

Increases for governmental activities capital assets consist of the following (net \$63,172,105):

- Capital asset expenditure additions & contributions totaling \$59,784,804
- Transfer to infrastructure from construction in progress totaling \$8,582,082
- Annual depreciation totaling (\$5,657,635)

Decreases for governmental activities capital assets consist of the following (net \$54,419,107):

- Deleted assets & abandoned project (equipment & CIP) totaling \$181,889
- Transfer from construction in progress to infrastructure totaling \$8,582,082
- Accumulated depreciation removed for equipment totaling (\$105,797)
- Transfer to enterprise funds totaling \$45,760,933

<b>Enterprise Activities:</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,620,110	\$ -	\$ -	\$ 1,620,110
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,620,110</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,620,110</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,372,095	\$ 77,108	\$ -	\$ 2,449,203
Equipment	7,307,056	676,853	360,154	7,623,755
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	261,110,845	45,760,932	-	306,871,777
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 274,541,792</b>	<b>\$ 46,514,893</b>	<b>\$ 360,154</b>	<b>\$ 320,696,531</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 309,019	\$ 49,002	\$ -	\$ 358,021
Equipment	5,497,756	328,386	320,861	5,505,281
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	47,241,399	7,127,231	-	54,368,630
<b>Total Accumulated Depreciation</b>	<b>\$ 56,799,970</b>	<b>\$ 7,504,619</b>	<b>\$ 320,861</b>	<b>\$ 63,983,728</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 217,741,822</b>	<b>\$ 39,010,274</b>	<b>\$ 39,293</b>	<b>\$ 256,712,803</b>
<b>Enterprise Activities Capital Assets, Net</b>	<b>\$ 219,361,932</b>	<b>\$ 39,010,274</b>	<b>\$ 39,293</b>	<b>\$ 258,332,913</b>

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

Increases to business-type funds/activities consist of the following:

- Capital asset additions to buildings and equipment totaling \$753,961
- Transfer from government activities totaling \$45,760,933
- Annual depreciation added for buildings, equipment, and infrastructure totaling (\$7,504,619)

Decreases to business-type funds/activities consist of the following:

- Deleted assets (equipment) totaling \$360,154
- Accumulated depreciation for deleted equipment totaling (\$320,861)

<b>Water &amp; Sewer Fund:</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,620,110	\$ -	\$ -	\$ 1,620,110
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,620,110</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,620,110</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 1,292,672	\$ -	\$ -	\$ 1,292,672
Equipment	5,325,120	515,663	41,502	5,799,281
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	261,110,845	45,760,933	-	306,871,778
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 271,480,433</b>	<b>\$ 46,276,596</b>	<b>\$ 41,502</b>	<b>\$ 317,715,527</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 139,033	\$ 25,854	\$ -	\$ 164,887
Equipment	4,548,949	168,838	41,488	4,676,299
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	47,241,399	7,127,231	-	54,368,630
<b>Total Accumulated Depreciation</b>	<b>\$ 55,681,177</b>	<b>\$ 7,321,923</b>	<b>\$ 41,488</b>	<b>\$ 62,961,612</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 215,799,256</b>	<b>\$ 38,954,673</b>	<b>\$ 14</b>	<b>\$ 254,753,915</b>
<b>Enterprise Activities Capital Assets, Net</b>	<b>\$ 217,419,366</b>	<b>\$ 38,954,673</b>	<b>\$ 14</b>	<b>\$ 256,374,025</b>

<b>Sanitation &amp; Garbage Fund:</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 1,079,423	\$ 77,109	\$ -	\$ 1,156,532
Equipment	1,981,937	161,190	318,653	1,824,474
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,061,360</b>	<b>\$ 238,299</b>	<b>\$ 318,653</b>	<b>\$ 2,981,006</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 169,987	\$ 23,149	\$ -	\$ 193,136
Equipment	948,807	159,548	279,373	828,982
<b>Total Accumulated Depreciation</b>	<b>\$ 1,118,794</b>	<b>\$ 182,697</b>	<b>\$ 279,373</b>	<b>\$ 1,022,118</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,942,566</b>	<b>\$ 55,602</b>	<b>\$ 39,280</b>	<b>\$ 1,958,888</b>

Depreciation expense was charged to the following functions/programs of the City's governmental activities for the current fiscal year (\$5,657,635):

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 104,630
Public Safety	160,293
Public Works & Infrastructure	5,388,129
Forestry	4,583
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$ 5,657,635</b>

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

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

<b>Capital Assets</b>	<b>Govt. Activities</b>	<b>Enterprise Act.</b>
Beginning Capital Assets 2015	\$ 109,438,378	\$ 218,817,248
Net Adjustment – Capital Assets (land & CIP)	5,417,443	544,684
Beginning Capital Assets 2015 Restated	\$ 114,855,821	\$ 219,361,932

E. Long-term liabilities

**Changes in Long-Term Liabilities:**

During the year ended December 31, 2015, the following changes occurred in long-term liabilities of governmental and business type activities:

**Primary Government - Governmental Activities:**

<b>Governmental Activities</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>	<b>Due Within One Year</b>
G.O. Bonds	\$ 7,775,000	\$ -	\$ 670,000	\$ 7,105,000	\$ 685,000
Sales Tax Bonds	1,855,000	-	170,000	1,685,000	170,000
Spec. Assmt. Bonds	175,995,000	52,650,000	13,700,000	214,945,000	14,190,000
TIF Bonds	930,000	-	45,000	885,000	45,000
Net Pension Liability *	3,035,721	267,500	-	3,303,221	-
Comp. Absences *	1,030,003	10,388	-	1,040,391	104,039
<b>Total Govt. Activities</b>	<b>\$ 190,620,724</b>	<b>\$ 52,927,888</b>	<b>\$ 14,585,000</b>	<b>\$ 228,963,612</b>	<b>\$ 15,194,039</b>
<b>Total Bonds</b>	<b>\$ 186,555,000</b>	<b>\$ 52,650,000</b>	<b>\$ 14,585,000</b>	<b>\$ 224,620,000</b>	<b>\$ 15,090,000</b>
<b>SA Bonds &amp; TIF Bonds</b>	<b>\$ 176,925,000</b>	<b>\$ 52,650,000</b>	<b>\$ 13,745,000</b>	<b>\$ 215,830,000</b>	<b>\$ 14,235,000</b>

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

Business-Type Activities:

<b>Business-Type Activities</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>	<b>Due Within One Year</b>
Sewer Bonds	\$ 15,070,000	\$ -	\$ 590,000	\$ 14,480,000	\$ 610,000
Net Pension Liability *	1,124,681	99,105	-	1,223,786	-
Comp. Absences *	328,540	7,429	-	335,969	33,597
<b>Total Govern. Activities</b>	<b>\$ 16,523,221</b>	<b>\$ 106,534</b>	<b>\$ 590,000</b>	<b>\$ 16,039,755</b>	<b>\$ 643,597</b>

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

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 \$685,000 to \$915,000 through 2024; interest at 3.00% to 4.35%. **\$7,105,000**

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

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

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>G.O. Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 685,000	\$ 263,837
2017	705,000	243,287
2018	730,000	222,138
2019	755,000	198,778
2020	780,000	173,108
2021-2025	3,450,000	373,099
<b>Totals</b>	<b>\$ 7,105,000</b>	<b>\$ 1,474,247</b>

The City issued \$52,650,000 of special assessment debt in 2015 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 annual installments of \$665,000 to \$745,000 through 2017; interest at 3.0%.	\$ 1,410,000
\$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%.	880,000
\$7,725,000 Refunding Improvement Bonds of 2009, Series C, due in annual installments of \$310,000 to \$325,000 through 2034; interest at 2.75% to 4.85%.	6,045,000
\$525,000 Sidewalk Warrants of 2010 (6048) due in annual installments of \$50,000 to \$55,000 through 2020; interest at 1.5% to 2.4%.	255,000
\$530,000 Municipal Bonds of 2009, due in annual installments of \$10,000 to \$35,000 through 2039; interest at 3.4% to 5.0%.	470,000
\$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%.	415,000
\$5,935,000 Refunding Improvement Bonds of 2010, Series A, due in annual installments of \$600,000 to \$635,000 through 2019; interest at 2.65% to 3.5%.	2,460,000
\$7,130,000 Refunding Improvement Bonds of 2010, Series B, due in annual installments of \$265,000 to \$335,000 through 2035; interest at 2.0% to 4.0%.	5,830,000
\$4,730,000 Refunding Improvement Bonds of 2005, Series C, due in annual installments of \$240,000 to \$485,000 through 2016; interest at 4.0%.	240,000

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

**Special Assessment Bonds (including TIF bonds): Continued**

\$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$695,000 through 2023; interest at 4.0%.	\$ 4,970,000
\$6,345,000 Refunding Improvement Bonds of 2007, Series B due in annual installments of \$265,000 to \$430,000 through 2023; interest at 4.0% to 4.25%.	3,170,000
\$240,000 Sidewalk Bonds of 2007, due in annual installments of \$20,000 through 2017; interest 4.05% to 4.10%	40,000
\$215,000 Sidewalk Bonds of 2008, due in annual installments of \$20,000 through 2018; interest at 4.0%.	60,000
\$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%.	1,440,000
\$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%.	4,130,000
\$2,645,000 Refunding Improvement Bonds 2011, Series B due in annual installments of \$175,000 to \$305,000 through 2020; interest 2.0% to 3.2%.	1,360,000
\$9,960,000 Refunding Improvement Bonds 2011, Series C due in annual installments of \$380,000 to \$475,000 through 2036; interest 2.0% to 4.0%.	8,535,000
\$5,315,000 Refunding Improvement Bonds 2011, Series A due in annual installments of \$550,000 to \$590,000 through 2020; interest 2.75% to 4.0%.	2,835,000
\$17,775,000 Refunding Improvement Bonds 2014, Series A due in annual installments of \$610,000 to \$895,000 through 2038; interest 2.0% to 3.625%.	16,850,000
\$170,000 Sidewalk Bonds of 2012, due in annual installments of \$15,000 to \$20,000 through 2022 at 1.0% to 2.25% interest.	125,000
\$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%.	12,955,000
\$6,030,000 Refunding Improvement Bonds of 2012, Series B, refinance of 2006A, due in annual installments of \$595,000 to \$690,000 through 2021; interest rate from .75% to 1.85%.	3,850,000
\$225,000 Sidewalk Bonds of 2006, due in annual installments of \$20,000 through 2016; interest rate at 4.25%.	20,000
\$9,740,000 Refunding Improvement Bonds of 2012, Series C, refinance of 2005B and 2005D, due in annual installments of \$405,000 to \$1,180,000 through 2021; interest rate from 1.50% to 4.50%.	6,060,000

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

**Special Assessment Bonds (including TIF bonds): Continued**

\$37,600,000 Refunding Improvement Bonds of 2012, Series D, included refinance of 2008A, due in annual installments of \$1,145,000 to \$2,340,000 through 2037; interest rate from 2.0% to 3.375%.	\$ 31,260,000
\$15,900,000 Refunding Improvement Bonds of 2014, Series A, due in annual installments of \$570,000 to \$750,000 through 2037; interest rate from 2% to 3.25%.	14,300,000
\$20,460,000 Refunding Improvement Bonds 2014, Series B due in annual installments of \$750,000 to \$1,010,000 through 2039; interest 2.0% to 5.0%.	20,460,000
\$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 4.0%.	28,180,000
\$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 \$675,000 through 2038; interest rates from 2% to 4.2%.	<u>12,755,000</u>
Total Special Assessment & TIF Bonds	<u>\$215,830,000</u>

**Sales Tax Bonds**

\$2,060,000 Sales Tax Revenue Bond, Series 2012, due in annual payments of \$170,000 to \$410,000 through 2023; interest rate of 1.40% to 3.00%.	<u>\$ 1,685,000</u>
Total of "Bonds" for Governmental Activities	<u>\$224,620,000</u>

Annual debt service requirements to maturity for special assessment, sales tax, and TIF bonds totaling \$217,515,000 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Spec. Assmt., Sales &amp; TIF Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 15,735,000	\$ 5,342,088
2017	15,995,000	6,454,002
2018	14,690,000	6,019,213
2019	14,195,000	5,578,694
2020	13,265,000	5,133,287
2021-2025	48,490,000	19,981,745
2026-2030	38,360,000	12,932,069
2031-2035	36,000,000	6,682,667
2036-2040	20,785,000	1,389,944
<b>Totals</b>	<b>\$ 217,515,000</b>	<b>\$ 69,513,709</b>

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

Business-Type Activities:

\$9,145,000 Water & Sewer Refunding Bonds 2012, (2005), due in annual installments of \$415,000 to \$630,000 through 2030; interest at 2.5% to 4.25% - enterprise funds (Business-Type Activities). \$ 7,645,000

\$7,870,000 Water and Sewer Revenue Bonds Series 2009 due in annual installments of \$195,000 to \$1,140,000 through 2034; interest at 4.5% to 6.375% - enterprise funds (Business-Type Activities) 6,835,000

Total Business-Type Activities Revenue Bonds \$14,480,000

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

<b>BUSINESS TYPE ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Revenue Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2016	\$ 610,000	\$ 662,463
2017	630,000	643,312
2018	640,000	627,625
2019	665,000	605,300
2020	690,000	580,400
2021-2025	3,895,000	2,442,788
2026-2030	4,800,000	1,519,306
2031-2035	2,550,000	474,300
Totals	\$ 14,480,000	\$ 7,555,494

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. Member 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). The annual 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.

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

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 12/31/2015, the Employer reported a liability of \$4,527,007 for its proportionate share of the net pension liability. The net pension liability was measured as of 06/30/2015 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 06/30/2015 the Employer's proportion was .665753 percent, which was an increase of .010284 percent from its proportion measured as of 6/30/2014.

For the year ended 12/31/2015 the Employer recognized pension expense of \$444,348. At 12/31/2015 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	\$ 131,334	\$ -
Change in proportion and differences between employer contributions & proportionate share of contributions	-	403,335
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	95,564
Changes of Assumptions	63,788	-
District Contributions Subsequent to the Measurement Date	304,708	-
<b>Total</b>	<b>\$ 499,830</b>	<b>\$ 498,899</b>

\$304,708 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:

2016	\$ (109,764)
2017	(109,764)
2018	(109,764)
2019	87,709
2020	(62,194)

**Actuarial assumptions.** The total pension liability in the July 1, 2015 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

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

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.

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, 2015. 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, 2015. 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, 2015.

**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	\$ 6,941,938	\$ 4,527,007	\$ 2,551,156

**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, 2015:

<b>Fund Name</b>	<b>Fund Balance</b>	<b>Cash</b>
<b>Debt Service Funds:</b>		
Sidewalk 6013 - 2006	\$ (13,192)	\$ (13,192)
2012 Sidewalk District	(181,335)	(181,335)
2014A - RIB	(166,982)	(166,982)
2014B - RIB	(54,329)	(54,329)
<b>Capital Projects Funds:</b>		
4054 - Regional Storm Lift	(1,748,860)	(1,748,860)
4055 - Christianson's 3rd Lift	(627,653)	(627,653)
4056 - Meadow Ridge Storm Lift	(312,493)	(312,493)
4045 - Soutside General Storm Sewer	(8,330)	(8,330)
2219 - 7th Ave-17th to 45th Street Improve.	(3,926)	(3,926)
1279 - 12th Ave. N - 45th St. Street Improve.	(2,192,065)	(2,265,775)
1273 - Main Ave. Phase III	(4,697,125)	(4,697,125)
1260 - 5mm gallon water tower	(175,546)	(175,546)
1276 - Christianson's 3rd	(148,919)	(148,919)
1284 - Christianson Drive	(914,694)	(914,694)
1287 - Sheyenne & 52nd Ave. Water Main	(43,944)	(43,944)
1288 - Wilds 7th Addition	(2,492,351)	(2,492,351)
1289 - 26th St NE & Diversion Road	(792,700)	(792,700)
1291 - Brooks Harbor 5th & 6th	(235)	(235)
1290 - 7th AVE NW & Center St	(1,972)	(1,972)
2157 - 13th Ave. West	(300)	(300)
Sheyenne St S of I94	(92,671)	(92,671)
2233 - 40th Ave E (Shey to Dr 21-Shard w/Fargo)	(10,640,118)	(10,640,118)
2234 -33rd Ave E to Prairie Hgts Drive	(15,191)	(15,191)
2233 - Ph II-32nd Ave. Sheyenne to Veteran's	(17,488)	(17,488)
2239 - 32 & 4pth Ave. W. to Diversion	(1,295)	(1,295)

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.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), 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 NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$6,151,134 for mobile equipment and portable property (public assets).

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

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 eight construction projects open at year-end. The total amount of construction costs in progress was \$23,545,069 with contract amounts of \$25,982,774 leaving total construction commitments of \$2,437,705 at December 31, 2015. Additionally, retainages payable related to construction at December 31, 2015 totaled \$1,061,082.

<b>Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Remaining Balance</b>	<b>Retainage</b>
Storm District 4054 Phase I	\$ 2,115,437	\$ 1,521,049	\$ 594,388	\$ 105,772
Storm District 4056 Phase I	513,060	514,370	(1,310)	25,653
Sewer, W, Stm & Street Impr District # 1279-2	2,127,255	1,076,734	1,050,521	106,363
Sewer, W, Stm & Street Impr District # 1284	942,662	870,628	72,034	47,133
Sewer, W, Stm & Street Impr District # 1288-1	2,870,245	2,346,392	523,853	143,513
Sewer, W, Stm & Street Impr District # 1289-1	699,884	724,877	(24,993)	34,994
Street District #2233 Phase II	7,374,030	7,166,855	207,175	365,987
<b>City Hall Remodel/Addition:</b>				
<i>Gast Construction</i>	6,168,764	6,163,516	5,248	100,000
<i>Rieger, Borgen, Benson Electric</i>	1,199,880	1,196,752	3,128	59,994
<i>Cote Mechanical</i>	1,433,464	1,431,348	2,116	71,673
<i>YHR Architecture</i>	538,093	532,548	5,545	-
<b>Total City Hall Remodel/Addition</b>	<b>\$ 9,340,201</b>	<b>\$ 9,324,164</b>	<b>\$ 16,037</b>	<b>\$ 231,667</b>
<b>Total All Projects</b>	<b>\$ 25,982,774</b>	<b>\$ 23,545,069</b>	<b>\$ 2,437,705</b>	<b>\$ 1,061,082</b>

**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 ADJUSTMENTS**

Change in accounting principle:

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

The result of implementing GASB 68 and GASB 71 reduced beginning net position in governmental activities, business-type activities, the water and sewer fund, and the health and sanitation fund, which consists of the net position liability, and related deferred outflows and deferred inflows of resources related to the North Dakota Public Employees Retirement System (NDPERS).

Prior period errors:

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

Beginning fund balance adjustments were necessary for the water and sewer fund and to total non-major governmental funds (fund 2960 – economic development fund).

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

<b>Governmental Activities:</b>	<b>Net Position</b>
Net Position December 31, 2014, as previously reported	\$ 68,453,068
<b>Adjustments to restate the January 1 net position</b>	
Fund balance adjustment - fund 2960	(17,348)
Capital assets - construction in progress	5,259,018
Capital assets - land	158,425
Pension deferred outflows of resources	304,745
Pension deferred inflows of resources	(592,585)
Net pension liability	(3,035,721)
Net Position January 1, 2015 as restated	\$ 70,529,602

<b>Sewer &amp; Water Operating Fund:</b>	<b>Net Position</b>
Net Position December 31, 2014, as previously reported	\$ 208,137,415
<b>Adjustments to restate the January 1 net position</b>	
Capital assets - land error	544,684
Fund balance adjustment - water fund	(5,804)
Pension deferred outflows of resources	71,794
Pension deferred inflows of resources	(133,232)
Net pension liability	(682,526)
Net Position January 1, 2015 as restated	\$ 207,932,331

<b>Health &amp; Sanitation Fund:</b>	<b>Net Position</b>
Net Position December 31, 2014, as previously reported	\$ 3,766,413
<b>Adjustments to restate the January 1 net position</b>	
Pension deferred outflows of resources	46,875
Pension deferred inflows of resources	(86,311)
Net pension liability	(442,155)
Net Position January 1, 2015 as restated	\$ 3,284,822

**CITY OF WEST FARGO**

Notes to the Financial Statements – Continued

<b>Business-Type Activities:</b>	<b>Net Position</b>
Net Position December 31, 2014, as previously reported	\$ 211,903,828
<b>Adjustments to restate the January 1 net position</b>	
Capital assets - water fund land error	544,684
Fund balance adjustment - sewer & water fund	(5,804)
Deferred outflows of resources - pensions	118,669
Deferred inflows of resources - pensions	(219,543)
Net pension liability	(1,124,681)
Net Position January 1, 2015 as restated	\$ 211,217,153

<b>Governmental Funds - total non-major funds:</b>	<b>Fund Balance</b>
Fund Balances December 31, 2014, as previously reported	\$ 9,849,589
<b>Adjustments to restate the January 1 fund balance</b>	
Adjustment to fund 2960 (economic development)	(17,348)
Fund Balance January 1, 2015 as restated	\$ 9,832,241

**NOTE 11: SUBSEQUENT EVENT**

Subsequent to the balance sheet date of December 31, 2015, the City of West Fargo entered into a public-private partnership agreement with Pioneer Place LLC and Sheyenne Plaza LLC to purchase land totaling \$4,403,791 on Sheyenne Street blocks 1 and 2 for the redevelopment and revitalization of downtown West Fargo.

CITY OF WEST FARGO  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 6,162,494	\$ 6,162,494	\$ 6,155,120	\$ (7,374)
Licenses, Permits & Fees	806,000	806,000	3,322,800	2,516,800
Intergovernmental	2,624,000	2,624,000	3,198,249	574,249
Fines, Forfeitures, & Penalties	225,000	225,000	280,292	55,292
Interest Income	10,000	10,000	476,439	466,439
Miscellaneous	10,000	10,000	38,698	28,698
<b>Total Revenues</b>	<b>\$ 9,837,494</b>	<b>\$ 9,837,494</b>	<b>\$ 13,471,598</b>	<b>\$ 3,634,104</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 3,031,371	\$ 3,031,371	\$ 2,852,601	\$ 178,770
Public Safety	5,453,252	5,453,252	5,423,668	29,584
Public Works/Streets	2,467,609	2,467,609	2,253,047	214,562
<b>Total Expenditures</b>	<b>\$ 10,952,232</b>	<b>\$ 10,952,232</b>	<b>\$ 10,529,316</b>	<b>\$ 422,916</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (1,114,738)</b>	<b>\$ (1,114,738)</b>	<b>\$ 2,942,282</b>	<b>\$ 4,057,020</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,705,000	\$ 1,705,000	\$ 2,105,165	\$ 400,165
Transfers Out	(548,000)	(613,097)	(478,510)	134,587
<b>Total Other Financing Sources and Uses</b>	<b>\$ 1,157,000</b>	<b>\$ 1,091,903</b>	<b>\$ 1,626,655</b>	<b>\$ 534,752</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 42,262</b>	<b>\$ (22,835)</b>	<b>\$ 4,568,937</b>	<b>\$ 4,591,772</b>
<b>Fund Balance - January 1</b>	<b>\$ 15,805,503</b>	<b>\$ 15,805,503</b>	<b>\$ 15,805,503</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 15,847,765</b>	<b>\$ 15,782,668</b>	<b>\$ 20,374,440</b>	<b>\$ 4,591,772</b>

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 6,000,000	\$ 6,000,000	\$ 9,690,968	\$ 3,690,968
Interest Income	1,500	1,500	6,295	4,795
Total Revenues	<u>\$ 6,001,500</u>	<u>\$ 6,001,500</u>	<u>\$ 9,697,263</u>	<u>\$ 3,695,763</u>
<u>Expenditures:</u>				
Current:	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 2,777</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,501,500</u>	<u>\$ 5,501,500</u>	<u>\$ 9,694,486</u>	<u>\$ 3,695,763</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (5,200,000)</u>	<u>\$ (5,200,000)</u>	<u>\$ (5,009,900)</u>	<u>\$ 190,100</u>
Net Changes in Fund Balances	<u>\$ 301,500</u>	<u>\$ 301,500</u>	<u>\$ 4,684,586</u>	<u>\$ 3,885,863</u>
Fund Balance - January 1	<u>\$ 2,561,066</u>	<u>\$ 2,561,066</u>	<u>\$ 2,561,066</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 2,862,566</u></u>	<u><u>\$ 2,862,566</u></u>	<u><u>\$ 7,245,652</u></u>	<u><u>\$ 3,885,863</u></u>

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

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CITY OF WEST FARGO  
West Fargo, North Dakota

PENSION SCHEDULES  
For the Year Ended December 31, 2015

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

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

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

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

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

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

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CITY OF WEST FARGO  
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2015

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**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 7<sup>th</sup> 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 7<sup>th</sup> in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7<sup>th</sup>, 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 10<sup>th</sup>, 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

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- 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 2015 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, 2015

	Balance 1-1-15	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-15
General Fund (Major)	\$ 10,667,415.44	\$ 10,851,716.34	\$ 1,770,474.71	\$ -	\$ 398,000.00	\$ 10,391,720.91	\$ 12,499,885.58
General Fund Reserve	4,415,483.16	2,798,466.90	334,689.88	-	80,509.96	137,594.76	7,330,535.22
<b>Total General Fund</b>	<b>\$ 15,082,898.60</b>	<b>\$ 13,650,183.24</b>	<b>\$ 2,105,164.59</b>	<b>\$ -</b>	<b>\$ 478,509.96</b>	<b>\$ 10,529,315.67</b>	<b>\$ 19,830,420.80</b>
<b>Special Revenue Funds:</b>							
Sales Tax (Major)	\$ 1,845,044.50	\$ 9,645,853.07	\$ -	\$ -	\$ 5,009,899.94	\$ 2,777.19	\$ 6,478,220.44
<b>Special Revenue Funds (Nonmajor):</b>							
City's Share of Specials	\$ 28,876.93	\$ 144,668.14	\$ -	\$ -	\$ -	\$ 132,894.63	\$ 40,650.44
Fire Fund	118,420.38	703,879.13	-	-	-	684,660.56	137,638.95
Building Fund	218,850.65	341,924.67	-	-	-	456,384.91	104,390.41
Gaming Funds	19,387.99	12,041.16	-	-	5,000.00	-	26,429.15
E-911	-	73,015.86	-	-	38,761.04	34,254.82	-
Municipal Highway Fund	1,514,244.05	1,767,581.57	-	-	2,611,439.68	184,632.16	485,753.78
Lodging Tax	94,507.16	122.08	10,000.00	-	-	21,295.00	83,334.24
FM Visitor's Bureau-Lodging	-	143,971.04	-	-	-	143,971.04	-
Otto Bremer Grant Crisis Training	11,620.36	-	-	-	-	4,950.00	6,670.36
Vector Control	(28,004.22)	82,787.92	37,711.36	-	-	84,985.68	7,509.38
Forestry	62,081.05	87,455.83	100,000.00	-	-	143,218.11	106,318.77
National Night Out (Night to Unite)	64.72	5,125.66	-	-	-	3,858.60	1,331.78
Future Building	6,573,991.99	5,603.14	298,000.00	-	-	5,905,109.17	972,485.96
West Fest	26,698.28	29,750.00	-	-	-	31,007.14	25,441.14
Cruise Night	4,748.49	13,220.00	-	-	-	13,032.45	4,936.04
Asset Forfeitures	56,694.02	39,091.65	-	-	-	86,862.38	8,923.29
Economic Development	241,618.14	396.35	200,000.00	-	-	3,325.00	438,689.49
Library General (used to be CU)	482,847.35	949,491.30	-	-	-	909,585.29	522,753.36
Airport Authority Bond Construction	71,193.86	33,817.51	-	-	-	-	105,011.37
Airport Authority (used to be CU)	111,645.25	172,485.63	-	-	-	165,151.06	118,979.82
Change Fund	300.00	-	-	-	-	-	300.00
<b>Total Special Revenue Funds (Nonmajor)</b>	<b>\$ 9,609,786.45</b>	<b>\$ 4,606,428.64</b>	<b>\$ 645,711.36</b>	<b>\$ -</b>	<b>\$ 2,655,200.72</b>	<b>\$ 9,009,178.00</b>	<b>\$ 3,197,547.73</b>
<b>Total Special Revenue Funds</b>	<b>\$ 11,454,830.95</b>	<b>\$ 14,252,281.71</b>	<b>\$ 645,711.36</b>	<b>\$ -</b>	<b>\$ 7,665,100.66</b>	<b>\$ 9,011,955.19</b>	<b>\$ 9,675,768.17</b>
<b>Debt Service Funds (Major):</b>							
2011-C RIB	\$ 1,268,227.40	\$ 962,663.70	\$ -	\$ -	\$ -	\$ 745,856.00	\$ 1,485,035.10
RIB 2011 B (recall 2004B)	314,383.87	287,002.60	-	-	-	353,772.00	247,614.47
2005 A Refunding Improvement Bonds	2,809,484.43	283,176.08	-	-	-	709,364.50	2,383,296.01
Sidewalk 6043 - 2006	3,588.06	11,429.62	-	-	-	28,210.00	(13,192.32)
Sidewalk 6042 - 2005	33,180.94	17,923.69	-	-	-	22,426.00	28,678.63
Sidewalk 6044 - 2007	46,839.42	12,594.56	-	-	-	23,959.00	35,474.98
2008-B RIB	106,783.80	333,008.67	-	-	-	250,486.50	189,305.97
2008-C RIB	1,151,400.43	690,892.80	-	-	-	664,898.00	1,177,395.23
2009-A RIB (from 2001/2001c/2002)	1,316,661.74	574,918.20	-	-	-	809,705.00	1,081,874.94
2009-B RIB (from 2003C & 2003D)	608,569.47	272,249.49	-	-	-	377,807.75	503,011.21
2005-C Refunding Bonds	280,336.67	334,167.32	-	-	-	500,276.00	114,227.99
2006 A RIB	195,228.32	486,434.58	300,000.00	-	-	761,994.00	219,668.90
2007A RIB	1,094,218.97	1,132,525.98	-	-	-	908,804.00	1,317,940.95
2007B RIB	1,325,826.95	511,642.41	-	-	-	569,394.00	1,268,075.36
G.O. Bonds 2009	8,046.41	612.54	953,000.00	-	-	953,370.50	8,288.45
Municipal Bonds 2009 NDPFA	157,922.38	29,603.77	-	-	-	32,845.84	154,680.31
2009-C RIB	518,442.08	635,329.82	-	-	-	572,475.50	581,296.40
2010 A - RIB (refund of 2003E & 2004A)	1,236,803.59	747,362.34	-	-	-	744,438.00	1,239,727.93
2010 B - RIB	250,042.86	687,380.67	-	-	-	518,314.50	419,109.03
Sidewalk Refunding Bonds 2010	49,158.68	49,957.47	-	-	-	61,804.50	37,311.65
2012 A-RIB	1,153,035.88	1,434,406.02	94,539.71	-	-	1,277,368.54	1,404,613.07
2012 Sidewalk Refunding Bonds	38,969.28	16,834.74	-	-	-	18,875.00	36,929.02
2012 C (Ref of 2005B & 2005D)	1,698,572.47	1,122,932.96	-	-	-	1,440,521.00	1,380,984.43
2012 D Special Assessment Bond	1,274,577.86	4,495,010.00	-	-	-	3,241,730.02	2,527,857.84
2012 Sales Tax Bonds	222,922.91	292.05	402,777.92	-	-	321,810.13	304,182.75
Reserve for 2012 Sales Tax Bonds	206,185.52	292.98	-	-	-	-	206,478.50
2013 A RIB	962,426.43	1,683,583.59	-	-	-	1,173,210.00	1,472,800.02
2013B RIB	290,492.15	1,530,071.54	-	-	-	1,091,947.76	728,615.93
2012 Sidewalk District (6050)	(213,974.80)	32,639.98	-	-	-	-	(181,334.82)
2014A RIB	87,363.50	1,147,143.33	-	-	-	1,401,488.98	(166,982.15)
2014B RIB	526,665.89	134,913.18	-	-	-	715,908.08	(54,329.01)
2015A RIB	-	129,752.10	2,571,350.91	-	-	80,400.00	2,620,703.01
2015B RIB	-	-	1,278,437.12	1,129,969.00	-	-	2,408,406.12
2067	1,533,495.69	118,672.64	-	-	-	-	1,652,168.33
TIF Bonds Sterling Industrial Park (to 3377)	416,659.14	285,730.97	-	-	-	-	702,390.11
TIF Butler (to 3360 and 3366)	597,238.34	642,103.70	-	-	300,000.00	7,333.67	932,008.37
TIF Titan Machinery (to 3370)	137,600.90	307,103.76	-	-	-	232,091.27	212,613.39
<b>Total Debt Service Funds</b>	<b>\$ 21,707,377.63</b>	<b>\$ 21,142,359.85</b>	<b>\$ 5,600,105.66</b>	<b>\$ 1,129,969.00</b>	<b>\$ 300,000.00</b>	<b>\$ 20,612,886.04</b>	<b>\$ 28,666,926.10</b>

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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, 2015

	Balance 1-1-15	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-15
<b>Capital Projects Funds (Major):</b>							
Capital Improvements	\$ 1,181,034.44	\$ 111,887.50	\$ -	\$ -	\$ 436,941.69	\$ 200,494.83	\$ 655,485.42
Construction Testing	3,106.46	-	-	-	-	642.03	2,464.43
4050 N Section 19 Regional Storm Lift	(3,564,599.37)	242,048.04	-	4,350,000.00	365,713.34	661,735.33	-
Meadow Ridge Pond Repair Fund	13,701.60	-	-	-	-	-	13,701.60
4051 Goldenwood Pond Expansion	(251,874.36)	18,158.13	-	360,000.00	36,040.37	90,243.40	-
4054 Regional Strm Lft	-	-	-	-	-	1,748,859.84	(1,748,859.84)
4055 Christianson's 3rd Lift	-	-	-	-	-	627,652.72	(627,652.72)
4056 - Meadow Ridge Strm Lift	-	-	-	-	-	312,492.73	(312,492.73)
4045 Southside General Storm Sewer	-	-	-	-	-	8,330.50	(8,330.50)
2219 7th Ave - 17th to 45th Street Impr.	(257,290.51)	6,261.28	-	380,000.00	13,877.00	119,019.58	(3,925.81)
Main Ave Phase 2 NDU-8-010(031)935	(228,805.16)	-	288,756.24	-	-	59,951.08	-
1279 12th Ave N-45th Str to Cty 19 Impr	(296,449.99)	-	-	-	-	1,895,615.34	(2,192,065.33)
1273 Main Ave. Phase III NHU-8-010(032)932	(230,402.69)	-	-	-	-	4,466,721.86	(4,697,124.55)
1257 Oakridge 4th	31,299.29	-	-	-	30,488.67	810.62	-
1253 Lagoon Impr Phase I & II	-	-	187,672.59	-	-	187,672.59	-
1258 Brooks Harbor 2nd	26,117.91	-	-	-	24,023.72	2,094.19	-
1259 Shadow Creek 5th	(3,178,454.93)	190,919.81	-	3,740,000.00	403,407.90	349,056.98	-
1262 West Creek 1st	37,570.43	-	-	-	335.74	37,234.69	-
1263 The Wild's 3rd & 4th	40,347.02	-	-	-	38,500.26	1,846.76	-
Charleswood 31st	14,843.08	-	-	-	14,008.12	834.96	-
1262 Phase II West Creek 1st	31,290.58	-	-	-	30,340.76	949.82	-
1261 West Butler	35,770.76	-	-	-	33,652.16	2,118.60	-
6051 2014 Sidewalk District	(35,125.20)	-	35,225.60	-	-	100.40	-
1260 1.5mm gallon water tower	-	-	-	-	-	175,546.62	(175,546.62)
1265 Goldenwood 5th (Brentwood)	74,715.71	-	-	-	73,352.11	1,363.60	-
1266 33rd Ave & 6th Street	(353,811.22)	14,829.35	-	900,000.00	44,584.59	516,433.54	-
1268-River's Bend 2nd Addition	(6,530,367.99)	457,066.18	-	8,490,000.00	904,465.33	1,470,346.58	41,886.28
1269-Wild's 6th Addition	(5,971,472.24)	387,546.46	-	7,590,000.00	602,706.03	1,403,368.19	-
1271-North Pond 4th	(1,847,894.66)	59,317.39	-	3,600,000.00	329,922.53	1,480,806.20	694.00
1275 Ph II-Goldenwood 5th Addition	(2,954,568.60)	186,250.58	-	3,650,000.00	353,557.65	528,124.33	-
1276-Christianson's 2nd	(143,488.64)	-	-	-	-	5,430.09	(148,918.73)
1278-Oak Ridge 6th Impr District	(58,918.16)	1,482.93	-	90,000.00	27,128.85	5,435.92	-
1281-Eaglewood 3rd Addition	(693,858.19)	37,897.22	-	2,300,000.00	105,048.18	1,538,990.85	-
1282 - Brooks Harbor 4th	-	71,839.95	-	4,360,000.00	151,913.82	4,279,926.13	-
1283-Nitschke Add	-	-	100.00	-	-	100.00	-
1284 Christianson Dr	-	-	-	-	-	914,693.86	(914,693.86)
1285-Eaglewood 4th	-	71,675.18	-	4,350,000.00	145,707.00	4,217,323.21	58,644.97
1286-Dolls 7th Addition	-	14,994.12	-	910,000.00	50,832.60	874,161.52	-
1287 - Sheyenne & 52nd Ave Water Main	-	-	-	-	-	43,943.99	(43,943.99)
1288 Wilds 7th Addition	-	-	-	-	-	2,492,350.85	(2,492,350.85)
1289 26th St NE & Diversion Road	-	-	-	-	-	792,700.20	(792,700.20)
1291 Brooks Harbor 5th & 6th	-	-	-	-	-	235.00	(235.00)
1290 7th AVE NW & Center St	-	-	-	-	-	1,972.00	(1,972.00)
2157 13th Ave. West	(300.00)	-	-	-	-	-	(300.00)
Sheyenne St S of I94	-	-	-	-	-	92,670.50	(92,670.50)
2227-Signal 4th Str & 32nd Ave E	(240.00)	-	-	-	-	(240.00)	-
2228 9th Street W (23 Ave W-30th A West)	43,750.09	-	-	-	33,750.09	10,000.00	-
2229-Charleswood Overlay	(3,804.42)	-	7,473.00	-	-	3,668.58	-
2231 Dakota Territory 5th	5,568.60	-	-	-	4,594.63	973.97	-
2230 Arbor Glen Overlay	14,256.00	-	-	-	12,882.58	1,373.42	-
2232 4th Str E-38th A E to 40th A E	(750,983.07)	46,300.52	-	1,680,031.00	129,959.99	845,388.46	-
2233-40th Ave E (Shey to Dr 21-Shard w/Fargo)	(54,627.70)	-	-	-	-	10,585,490.31	(10,640,118.01)
2234-33rd Ave E to Prairie Hgts Drive	(662.05)	-	-	-	-	14,528.75	(15,190.80)
2236-52nd Avenue Paving	(501.93)	28,010.99	-	1,700,000.00	56,896.00	1,661,805.20	8,807.86
2333-Ph II-32nd Ave Shey to Veterans	(1,209.00)	-	-	-	-	16,278.65	(17,487.65)
2237-Sommerset Str Impr	(679.84)	15,323.66	442,103.78	930,000.00	65,791.10	1,320,956.50	-
2238-Rendezvous Park Overlays	(127.00)	35,260.89	-	2,140,000.00	156,775.46	2,018,358.43	-
2239 32 & 40th Ave W to Diversion	-	-	-	-	-	1,294.62	(1,294.62)
7073 Str Ligh 13 A (Shey-17th) 8992(035)035	(97,059.74)	-	129,997.26	-	-	32,937.52	-
Fiber Optic Plan	(436,909.00)	-	845,964.97	-	-	409,055.97	-
<b>Total Capital Projects Funds</b>	<b>\$(26,391,113.69)</b>	<b>\$ 1,997,070.18</b>	<b>\$ 1,937,293.44</b>	<b>\$51,520,031.00</b>	<b>\$ 4,677,198.27</b>	<b>\$ 48,532,272.41</b>	<b>\$(24,146,189.75)</b>
<b>Total Governmental Funds</b>	<b>\$ 21,853,993.49</b>	<b>\$51,041,894.98</b>	<b>\$ 10,288,275.05</b>	<b>\$52,650,000.00</b>	<b>\$13,120,808.89</b>	<b>\$ 88,686,429.31</b>	<b>\$ 34,026,925.32</b>
<b>Enterprise Funds:</b>							
Sewer and Water Operating	\$ 4,979,511.95	\$ 5,956,717.68	\$ -	\$ -	\$ -	\$ 5,757,511.16	\$ 5,178,718.47
City Utility	312,124.68	208,459.99	-	-	-	212,701.88	307,882.79
Repl & Deprec. SWOP	30,000.00	-	-	-	-	-	30,000.00
Sewage Surcharge	280,262.55	8,712.71	-	-	-	-	288,975.26
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	1,897,777.86	662,527.88	-	-	-	59,136.00	2,501,169.74
1208 Water Treatment Plant	(359,996.86)	-	476,702.31	-	-	116,705.45	-
1274-Well # 7 Repl (New #16)	(328,642.61)	-	344,364.82	-	-	15,722.21	-
Well #9 & #12 Rehab #15	(356,632.40)	-	361,632.40	-	-	5,000.00	-
1246-Well #14 Construction	(940,292.62)	-	948,541.21	-	-	8,248.59	-
1272 Well #10 Impr, New #17, #5 #11 #13	(91,555.21)	-	654,543.10	-	-	562,987.89	-
Well #8	-	-	46,750.00	-	-	46,750.00	-
<b>Total Sewer and Water</b>	<b>\$ 6,689,863.82</b>	<b>\$ 6,836,418.26</b>	<b>\$ 2,832,533.84</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,784,763.18</b>	<b>\$ 9,574,052.74</b>

CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS  
For the Year Ended December 31, 2015

	Balance 1-1-15	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-15
CONTINUED....							
<b>Enterprise Funds: (Continued)</b>							
Health and Sanitation Operating	\$ 1,668,532.54	\$ 3,118,758.35	\$ -	\$ -	\$ 233,670.16	\$ 2,486,482.04	\$ 2,067,138.69
Sanitation Recycling Fund	234,326.71	35,010.36	233,670.16	-	-	503,007.23	-
Total Health and Sanitation	<u>\$ 1,902,859.25</u>	<u>\$ 3,153,768.71</u>	<u>\$ 233,670.16</u>	<u>\$ -</u>	<u>\$ 233,670.16</u>	<u>\$ 2,989,489.27</u>	<u>\$ 2,067,138.69</u>
Total Enterprise Funds	<u>\$ 8,592,723.07</u>	<u>\$ 9,990,186.97</u>	<u>\$ 3,066,204.00</u>	<u>\$ -</u>	<u>\$ 233,670.16</u>	<u>\$ 9,774,252.45</u>	<u>\$ 11,641,191.43</u>
Total Govt. & Enterprise Funds	<u>\$ 30,446,716.56</u>	<u>\$ 61,032,081.95</u>	<u>\$ 13,354,479.05</u>	<u>\$ 52,650,000.00</u>	<u>\$ 13,354,479.05</u>	<u>\$ 98,460,681.76</u>	<u>\$ 45,668,116.75</u>
<b>Agency Funds:</b>							
Park	\$ (116,954.32)	\$ 1,880,074.74	\$ -	\$ -	\$ -	\$ 1,763,120.42	\$ -
Park Sp Assmt 2003-1	(1,538.71)	5,467.64	-	-	-	3,750.37	178.56
Shadowwood Pk Sp.2010	(3,933.71)	19,807.80	-	-	-	15,458.97	415.12
2011 Maple Ridge Park Special Assmts	(4,771.72)	23,389.97	-	-	-	18,618.25	-
2011-1 Park Impr District	(19,045.03)	278,410.43	-	-	-	188,857.14	70,508.26
2014 Rivers Bend Park Imp District	-	4,474.30	-	-	-	-	4,474.30
Park Sp Assmt 2007-1	(3,342.63)	14,248.46	-	-	-	9,461.96	1,443.87
Community Dev. Block Grant	1,921.91	-	-	-	-	-	1,921.91
Tree Planting	350,552.70	75,758.67	-	-	-	43,406.57	382,904.80
Marvin Windows Escrow Sp Assmts	170,658.00	-	-	-	-	-	170,658.00
Titan Job Training Grant 5%	5,576.75	49,027.00	-	-	-	46,575.65	8,028.10
Energy Grant	15,800.00	-	-	-	-	-	15,800.00
Downtown Business Association	7,569.14	2,000.00	-	-	-	1,096.06	8,473.08
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	<u>\$ 558,659.45</u>	<u>\$ 2,352,659.01</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,090,345.39</u>	<u>\$ 820,973.07</u>
Total Primary Government	<u>\$ 31,005,376.01</u>	<u>\$ 63,384,740.96</u>	<u>\$ 13,354,479.05</u>	<u>\$ 52,650,000.00</u>	<u>\$ 13,354,479.05</u>	<u>\$ 100,551,027.15</u>	<u>\$ 46,489,089.82</u>
Total Reporting Entity	<u>\$ 31,005,376.01</u>	<u>\$ 63,384,740.96</u>	<u>\$ 13,354,479.05</u>	<u>\$ 52,650,000.00</u>	<u>\$ 13,354,479.05</u>	<u>\$ 100,551,027.15</u>	<u>\$ 46,489,089.82</u>

**STATE AUDITOR**

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MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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

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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, 2015, 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 August 5, 2016.

**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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2015-001].

## **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

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### **Compliance and Other Matters**

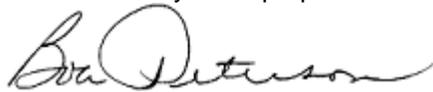
As part of obtaining reasonable assurance about whether the City of West Fargo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and 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.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
August 5, 2016

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CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

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**Section I - Summary of Auditor's Results**

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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> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u> None noted
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> None noted

**Section II - Financial Statement Findings**

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**2015-001 – CAPITAL ASSET PRIOR PERIOD ADJUSTMENTS**

**Condition:**

Prior period adjustments to capital assets were necessary to properly report the beginning amounts of governmental activities, business-type activities, and the water and sewer fund net position. The prior period adjustments were necessary for various accumulated prior period capital asset errors related to land, and construction in progress. The amount of prior period adjustments for governmental activities cost totaled a net increase of \$5,417,443 to beginning net position, and business-type activities and the water and sewer fund totaled a net increase of \$544,864 to beginning net position. The prior period adjustments were properly reported and disclosed by the client.

**Criteria:**

Proper internal control surrounding financial reporting and note disclosures require the proper reporting of applicable categories of capital assets, including cost and accumulated depreciation. Maintaining adequate, accurate and up-to-date complete capital assets records for each capital asset category is of vital importance to properly report capital asset components.

**Effect:**

The amount of prior period adjustments necessary to beginning net position related to capital assets for governmental activities is a net increase of \$5,417,443, and a net increase to business-type activities and the water and sewer fund totaling \$544,684.

**CITY OF WEST FARGO**

Schedule of Findings and Questioned Costs - Continued

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**Cause:**

Majority of the misstatement was due to an erroneous entry of original infrastructure at an amount net of accumulated depreciation. Also, there is lack of reconciliation of the capital asset listing to the department head listing of inventory at or near year-end. Capital asset records are not being reviewed by another individual besides the preparer.

**Recommendation:**

We recommend that capital asset records are kept up-to-date and accurately for infrastructure and construction in progress, as well as for land and equipment. Elements of cost and accumulated depreciation should be properly tracked and reported so that capital cost and accumulated depreciation records are accurate and correctly stated for financial reporting purposes for each applicable capital asset category. An annual review of all capital assets should be completed prior to financial statement reporting and disclosure, as well as consultation with the City Engineering firm responsible for infrastructure projects and construction in progress projects should be done to ensure proper capital asset reporting, especially as it relates to infrastructure and construction in progress.

**Views of Responsible Officials:**

City of West Fargo agrees with the recommendation. Steps will be taken as necessary to ensure proper maintenance of capital asset records related to applicable categories of capital assets so that large prior period adjustments related to capital assets are not necessary in future audits.

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of Local Government Audit

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