

CITY OF WEST FARGO

West Fargo, North Dakota

Audit Report

For the Year Ended
December 31, 2014



ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor

CITY OF WEST FARGO
West Fargo, North Dakota

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CITY OF WEST FARGO
West Fargo, North Dakota

CITY OFFICIALS

December 31, 2014

President / Mayor	Rich Mattern
Vice-President	Mike Thorstad
Commissioner	Mark Wentz
Commissioner	Mark Simmons
Commissioner	Duane Hanson
City Administrator	Jim Brownlee
Finance Director	Tina Gustafson
Police Chief	Michael Reitan
Public Works Director	Chris Brungardt
Planning Director	Larry Weil
Human Resources Director	Carmen Schroeder
City Attorney	John Schockley

Current

President / Mayor	Rich Mattern
Vice-President	Mike Thorstad
Commissioner	Mark Wentz
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Commissioner	Duane Hanson
City Administrator	Jim Brownlee
Finance Director	Tina Gustafson
Police Chief	Michael Reitan
Public Works Director	Chris Brungardt
Planning Director	Larry Weil
Human Resources Director	Carmen Schroeder
City Attorney	John Schockley

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



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

INDEPENDENT AUDITOR'S REPORT

City Commission
City of West Fargo
West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of and for the year ended December 31, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4-14 and 45-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2015, 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, 2015

CITY OF WEST FARGO
West Fargo, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

As management of the City of West Fargo, North Dakota, we are pleased to offer readers of the City of West Fargo's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2014. We encourage readers to consider it in conjunction with the additional information presented in the basic financial statements, the fund financial statements, and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Prior period adjustments were done to beginning net position of governmental activities \$10,998, made up of adjustments for loan payments and adjustments for capital assets.
- The total net position of governmental activities of the City of West Fargo decreased by (\$14,934,837) as a result of current year operations, or approximately 17.9%.
- Net position of the business-type activities increased by \$27,499,061 or approximately 15%. The increase is due to a transfer of capital assets from the governmental activities totaling \$32,470,033.
- Total revenues from all sources were \$47,694,806 for governmental activities on the statement of activities and \$41,329,871 on the modified accrual basis. Total revenues from all sources were \$8,703,549 for business-type activities.
- Total cost of all programs was \$43,834,132 consisting of \$29,305,395 for governmental activities and \$14,528,737 for business-type activities. This is a total increase of \$5.1 million for governmental activities and an increase of \$1.8 million for enterprise business-type activities over 2014.
- Governmental net capital assets totaled \$109,438,378 at December 31, 2014, and business-type capital assets totaled \$218,817,248 for an entity-wide total of \$328,255,626.
- Governmental expenditures exceeded revenues by \$44,745,016 in the fund-based statements due to spending approximately \$50.46 million on infrastructure projects construction in progress. Governmental activities expenses exceeded revenue by \$14,934,837 (after transfers to enterprise activities).
- Unassigned fund balance for the General Fund at year-end was \$15,805,502 or 162% of the total 2014 general fund expenditures.

USING THIS ANNUAL REPORT

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the City as a whole.
2. Fund financial statements provide detailed information for the City's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of West Fargo's finances, in a manner similar to a private-sector business.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

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

The *Statement of Activities* presents information on how the City's *net position* changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected sales tax, and earned but unused vacation leave). Both the Statement of Net position and the Statement of Activities present information as follows:

- Governmental activities – this includes most of the City's basic services which are primarily supported by property and sales taxes, intergovernmental revenues, user fees and interest income.
- Business-type activities – this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of West Fargo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the City's significant funds – not the City as a whole. The City's funds can be divided into three categories – governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the government operations and the basic services it provides, and are reported on the modified accrual basis of accounting which focuses on available expendable resources. This allows the reader to evaluate the City's short-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the government-wide financial statements.

The City of West Fargo maintains 30 individual governmental funds with all debt service funds and capital projects funds combined into one "fund" each. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, and the following major funds: sales tax fund, debt service fund, and special assessment construction (capital projects) fund. Data from the special revenue governmental funds are combined into a single, aggregated presentation titled "Other Governmental Funds".

The City of West Fargo adopts an annual budget for the general fund, sales tax fund, and the special assessment debt service fund. Budgetary comparison statements have been provided to demonstrate compliance. A budgetary comparison schedule is not required, nor presented for the debt service fund.

Proprietary Funds - the City of West Fargo maintains one type of proprietary funds. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide statements. The City of West Fargo uses enterprise funds to account for its Sanitation and Water and Sewer operations, as major funds. Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

Fiduciary Funds – the City of West Fargo is responsible for other assets that are held on behalf of others. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities have been excluded from the City's other financial statements since the City cannot use these assets to finance its operations.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Prior to GASB 63, net assets equity was reported, and subsequent to GASB 63, the elements of 'equity' are now known as net position. The following two tables present condensed information on the City's Net Position and Changes in Net Position for the fiscal year ended December 31, 2014. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of West Fargo, assets exceeded liabilities by \$280,356,893 at the close of the most recent fiscal year consisting of \$68,453,065 for governmental activities, and \$211,903,828 for business-type enterprise activities. The City of West Fargo's net position includes its investment in capital assets (e.g. land, buildings, infrastructure, machinery, equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding, and also includes restricted net position for specified purposes, and unrestricted net position. The City of West Fargo uses capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of West Fargo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE I
NET POSITION – GOVERNMENTAL ACTIVITIES
December 31, 2014 and 2013

	12-31-14	12-31-13
ASSETS:		
Current Assets	\$ 23,983,667	\$ 29,827,912
LT Uncertified Spec. Assmts. Rec. (Noncurrent)	128,025,342	121,590,140
Capital Assets (net of accumulated depreciation)	109,438,378	99,039,741
Total Assets	\$261,447,387	\$250,457,793
LIABILITIES:		
Current Liabilities	\$ 20,097,319	\$ 17,766,726
Long-Term Liabilities (include CA's)	172,897,003	149,314,163
Total Liabilities	\$192,994,322	\$167,080,889
NET POSITION:		
Net Investment in Capital Assets	\$ 50,908,720	\$ 58,424,881
Restricted	31,030,256	34,789,736
Unrestricted	(13,485,911)	(9,837,713)
Total Net Position	\$ 68,453,065	\$ 83,376,904

- Current assets - cash decrease due to spending down the future building fund balance in 2014;
- LT Uncertified Special assessments -- issued for various new certified projects in 2014;
- Capital assets - CIP increase and infrastructure increase in 2014 -- various capital projects;

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE I
NET POSITION – BUSINESS-TYPE ACTIVITIES
December 31, 2014 and 2013

	12-31-14	12-31-13
ASSETS:		
Current Assets	\$ 8,618,102	\$ 8,211,271
Capital Assets (net of accumulated depreciation)	218,817,248	192,346,657
Total Assets	<u>\$227,435,350</u>	<u>\$200,557,928</u>
LIABILITIES:		
Current Liabilities	\$ 755,837	\$ 753,196
Long-Term Liabilities	14,775,685	15,399,965
Total Liabilities	<u>\$ 15,531,522</u>	<u>\$ 16,153,161</u>
NET POSITION:		
Net Investment in Capital Assets, net of related debt	\$203,747,248	\$176,706,657
Unrestricted	8,156,580	7,698,110
Total Net Position	<u>\$211,903,828</u>	<u>\$184,404,767</u>

-- Capital assets increase - \$32.47 million transfer from govt. activities infrastructure to enterprise infrastructure

TABLE I
NET POSITION – TOTALS
December 31, 2014

	Governmental Activities	Enterprise	Totals
ASSETS:			
Current Assets	\$ 23,983,667	\$ 8,618,102	\$ 32,601,769
LT Uncertified Spec. Assmts. Rec.	128,025,342	-	128,025,342
Capital Assets (net of accumulated depreciation)	109,438,378	218,817,248	328,255,626
Total Assets	<u>\$261,447,387</u>	<u>\$227,435,350</u>	<u>\$488,882,737</u>
LIABILITIES:			
Current Liabilities	\$ 20,097,319	\$ 755,837	\$ 20,853,156
Long-Term Liabilities (include CA's)	172,897,003	14,775,685	187,672,688
Total Liabilities	<u>\$192,994,322</u>	<u>\$ 15,531,522</u>	<u>\$208,525,844</u>
NET POSITION:			
Invested in Capital Assets	\$ 50,908,720	\$203,747,248	\$254,655,968
Restricted	31,030,256	-	31,030,256
Unrestricted	(13,485,911)	8,156,580	(5,329,331)
Total Net Position	<u>\$ 68,453,065</u>	<u>\$211,903,828</u>	<u>\$280,356,893</u>

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE I
NET POSITION – TOTALS (as restated)
December 31, 2013

	Governmental Activities	Enterprise	Totals
ASSETS:			
Current Assets	\$ 29,827,912	\$ 8,211,271	\$ 38,039,183
LT Uncertified Spec. Assmts. Rec. (Noncurrent)	121,590,140	-	121,590,140
Capital Assets (net of accumulated depreciation)	99,039,741	192,346,657	291,386,398
Total Assets	\$250,457,793	\$200,557,928	\$451,015,721
LIABILITIES:			
Current Liabilities	\$ 17,766,726	\$ 753,196	\$ 18,519,922
Long-Term Liabilities	149,314,163	15,399,965	164,714,128
Total Liabilities	\$167,080,889	\$ 16,153,161	\$183,234,050
NET POSITION:			
Invested in Capital Assets	\$ 58,424,881	\$176,706,657	\$235,131,538
Restricted	34,789,736	-	34,789,736
Unrestricted	(9,837,713)	7,698,110	(2,139,603)
Total Net Position	\$ 83,376,904	\$184,404,767	\$267,781,671

TABLE II
CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES
As of December 31, 2014 AND 2013

	FY2014	FY2013
Revenues		
<u>Program Revenues:</u>		
Charges for Services	\$ 2,127,116	\$ 2,094,245
Operating Grants & Contributions	2,679,753	3,665,925
Capital Grants & Contributions	23,093,317	21,452,116
<u>General Revenues:</u>		
Total Taxes	13,508,494	11,626,269
Non restricted Grants & Contributions	2,321,786	2,102,752
Unrestricted Investment Earnings	70,871	75,204
Miscellaneous Revenue	3,893,469	3,960,400
Total Revenues	\$ 47,694,806	\$ 44,976,911
Expenses		
General Government	\$ 2,834,684	\$ 2,674,934
Public Safety	6,353,413	5,989,875
Highways & Streets/Public Works	13,079,143	8,967,171
Culture and Recreation	856,156	800,051
Economic Development	144,647	42,145
Other	199,895	152,341
Special Assessments	132,403	262,554
Interest and Service Charges	5,293,443	4,918,636
Bond Issuance Costs	411,611	346,160
Total Expenses	\$ 29,305,395	\$ 24,153,867
Change in Net Position (before transfers)	\$ 18,389,411	\$ 20,823,044
Net Transfers	\$(33,324,248)	\$(21,062,677)
Change in Net Position	\$(14,934,837)	\$ (239,633)
Net Position – January 1	\$ 83,376,904	\$ 83,812,817
Prior Period Adjustment	10,998	(196,280)
Net Position – January 1, as restated	\$ 83,387,902	\$ 83,616,537
Net Position – December 31	\$ 68,453,065	\$ 83,376,904

- Taxes increase -- increase in taxable valuation, and large increase in sales taxes in 2014;

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

- Operating grants/contributions decrease -- public works -- large decrease in highway tax in 2014;
- Capital grants/contributions -- increase due to more projects being certified in 2014;
- Public work expenses -- increase -- large increase in depreciation expense and in repair expenses (wells, etc.);

TABLE II
CHANGES IN NET POSITION – BUSINESS-TYPE ACTIVITIES

As of December 31, 2014 AND 2013

Revenues	FY2014	FY2013
<u>Program Revenues:</u>		
Charges for Services - Total	\$ 8,374,609	\$ 7,923,818
<u>General Revenues:</u>		
Unrestricted Investment Earnings	10,957	12,578
Miscellaneous Revenue	317,983	56,773
Total Revenues & Other	<u>\$ 8,703,549</u>	<u>\$ 7,993,169</u>
Expenses		
Water Operating Expenses	\$ 10,900,574	\$ 9,491,352
Sewer Operating Expenses	2,571,475	2,570,872
Interest & Service Charges & Misc. Exp.	1,056,688	662,070
Total Expenses	<u>\$ 14,528,737</u>	<u>\$ 12,724,294</u>
Change in Net Position	<u>\$ (5,825,188)</u>	<u>\$ (4,731,125)</u>
Net Transfers	<u>\$ 33,324,249</u>	<u>\$ 21,062,678</u>
Change in Net Position	<u>\$ 27,499,061</u>	<u>\$ 16,331,553</u>
Net Position – January 1	\$184,404,767	\$168,065,354
Prior Period Adjustment	-	7,860
Net Position – January 1, as restated	<u>\$184,404,767</u>	<u>\$168,073,214</u>
Net Position – December 31	<u>\$211,903,828</u>	<u>\$184,404,767</u>

Operating expenses - increase in salaries and repairs (wells, etc.);

TABLE II
CHANGES IN NET POSITION - TOTALS

As of December 31, 2014

Revenues	Governmental Activities	Enterprise	Total
<u>Program Revenues:</u>			
Charges for Services	\$ 2,127,116	\$ 8,374,609	\$ 10,501,725
Operating Grants & Contributions	2,679,753	-	2,679,753
Capital Grants & Contributions	23,093,317	-	23,093,317
<u>General Revenues:</u>			
Total Taxes	13,508,494	-	13,508,494
Non restricted Grants & Contributions	2,321,786	-	2,321,786
Unrestricted Investment Earnings	70,871	10,957	81,828
Miscellaneous Revenue	3,893,469	317,983	4,211,452
Total Revenues	<u>\$ 47,694,806</u>	<u>\$ 8,703,549</u>	<u>\$ 56,398,355</u>
Expenses			
General Government	\$ 2,834,684	\$ -	\$ 2,834,684
Public Safety	6,353,413	-	6,353,413
Highways & Streets/Public Works	13,079,143	-	13,079,143
Culture and Recreation	856,156	-	856,156
Economic Development	144,647	-	144,647
Other	199,895	-	199,895
Special Assessments	132,403	-	132,403
Interest and Service Charges	5,293,443	-	5,293,443
Bond Issuance Costs	411,611	-	411,611
Water and Sewer	-	11,890,989	11,890,989
Garbage and Sanitation	-	2,637,748	2,637,748
Total Expenses	<u>\$ 29,305,395</u>	<u>\$ 14,528,737</u>	<u>\$ 43,834,132</u>

TABLE CONTINUED ON NEXT PAGE....

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

CONTINUED....

**TABLE II
CHANGES IN NET POSITION - TOTALS**

As of December 31, 2014

Change in Net Position (before transfers)	\$ 18,389,411	\$ (5,825,188)	\$ 12,564,223
Net Transfers	\$(33,324,248)	\$ 33,324,249	\$ 1
Change in Net Position	\$(14,934,837)	\$ 27,499,061	\$ 12,564,224
Net Position – January 1	\$ 83,376,904	\$184,404,767	\$267,781,671
Prior Period Adjustment	10,998	-	10,998
Net Position – January 1, as restated	\$ 83,387,902	\$184,404,767	\$267,792,669
Net Position – December 31	\$ 68,453,065	\$211,903,828	\$280,356,893

**TABLE II
CHANGES IN NET POSITION - TOTALS**

As of December 31, 2013

	Governmental Activities	Enterprise	Total
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 2,094,245	\$ 7,923,818	\$ 10,018,063
Operating Grants & Contributions	3,665,925	-	3,665,925
Capital Grants & Contributions	21,452,116	-	21,452,116
<u>General Revenues:</u>			
Total Taxes	11,626,269	-	11,626,269
Non restricted Grants & Contributions	2,102,752	-	2,102,752
Unrestricted Investment Earnings	75,204	12,578	87,782
Miscellaneous Revenue	3,960,400	56,773	4,017,173
Total Revenues	\$ 44,976,911	\$ 7,993,169	\$ 52,970,080
Expenses			
General Government	\$ 2,674,934	\$ -	\$ 2,674,934
Public Safety	5,989,875	-	5,989,875
Highways & Streets/Public Works	8,967,171	-	8,967,171
Culture and Recreation	800,051	-	800,051
Economic Development	42,145	-	42,145
Other	152,341	-	152,341
Special Assessments	262,554	-	262,554
Interest and Service Charges	4,918,636	-	4,918,636
Bond Issuance Costs	346,160	-	346,160
Water and Sewer	-	10,153,399	10,153,399
Garbage and Sanitation	-	2,570,895	2,570,895
Total Expenses	\$ 24,153,867	\$ 12,724,294	\$ 36,878,161
Change in Net Position (before transfers)	\$ 20,823,044	\$ (4,731,125)	\$ 16,091,919
Net Transfers	\$(21,062,677)	\$ 21,062,678	\$ 1
Change in Net Position	\$ (239,633)	\$ 16,331,553	\$ 16,091,920
Net Position – January 1	\$ 83,812,817	\$168,065,354	\$251,878,171
Prior Period Adjustment	(196,280)	7,860	(188,420)
Net Position – January 1, as restated	\$ 83,616,537	\$168,073,214	\$251,689,751
Net Position – December 31	\$ 83,376,904	\$184,404,767	\$267,781,671

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

A portion of the City of West Fargo's governmental activities net position totaling \$31,030,256 represents resources that are subject to external restrictions on how they may be used (debt service, general government, highways & streets/public works, public safety, economic development, culture & recreation, loans, capital projects, and other. Amounts shown as net investment in capital assets amounted to a net positive balance of \$254,655,968 (governmental activities of \$50,908,720 & business type activities positive total of \$203,747,248.) These net investments in capital assets are not available for future spending. Although the City of West Fargo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. The remaining balance of *unrestricted net position* is a total negative government-wide amount of (\$5,329,331) Unrestricted net position is to be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position of business type activities was positive \$8,156,580 and the governmental activities was negative (\$13,485,911). At the end of the 2014, the City of West Fargo is able to report positive balances of net position for the government as a whole in two categories, and two of three categories for its separate governmental activities, while the business-type activities showed positive balances in the two applicable categories. The City of West Fargo's total net position increased by a total of \$12.5 million (4.7%) for the year ended December 31, 2014. The main reason for the increase was \$32.47 million of transfers of infrastructure/construction in progress from governmental activities to business-type activities for completed projects, increase in capital grants and contributions of \$1.64 million and approximately \$6.4 million in new long-term uncertified special assessments receivable.

Financial Analysis of the Government's Funds

As noted earlier, the City of West Fargo uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of West Fargo's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. The City of West Fargo implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended December 31, 2012. The City of West Fargo implemented the provisions of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. GASB 54 defines the different types of fund balances that a governmental entity must use for financial reporting purposes. Such information is useful in assessing the City of West Fargo's financing requirements. In particular, *unassigned general fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The unassigned fund balance of the general fund was \$15,805,502. The remainder of unassigned fund balances is a negative (\$29,326,194) which includes large negative cash amounts primarily reported in capital projects funds. It is noted that each capital project fund is eventually zeroed out from transfers in and debt proceeds. Debt isn't issued for capital projects funds until the projects are well under way or nearly completed and have incurred significant costs. As of the end of the current fiscal year, the City of West Fargo's governmental funds reported combined ending fund balances of \$20,597,339. \$1,715,643 of fund balance has been reported as non-spendable for the loan receivable reported in the general fund, debt service fund, economic development fund. The remainder of fund balances (other than unassigned) totaling \$32,402,388 *is restricted or committed* to indicate that it is not available for new spending because it has already been restricted for general government (\$333,046), public safety (\$186,798), public works/streets (\$1,770,774), culture & recreation (\$514,294), economic development (\$143,323), other (\$211,717), and committed from sales tax revenues (\$2,561,066) and for future building (\$6,573,992), and to pay debt service (\$20,107,378) for capital improvements.

The general fund is the chief operating fund of the City of West Fargo. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,805,502. Unassigned fund balance represented 162% of total 2014 general fund expenditures.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

The fund balance of the City of West Fargo's general fund increased \$2.60 million during the current fiscal year. The general fund balance increase was due to transfers in of \$2,069,764 from construction funds for administration and from the municipal highway fund. Total fund balances decreased by \$7.15 million (consisting of mainly to capital outlays which increased by \$16.4 million).

The fund balance of the sales tax fund decreased by \$2.6 million due to funding of a large capital project with those funds. The ending fund balance of the sales tax fund was \$2,561,066.

The debt service fund has a total ending fund balance of \$21,707,378, all of which is restricted for the payment of debt service (\$20,107,378), or considered non-spendable related to loans (\$1,600,000).

Proprietary Funds

The City of West Fargo's proprietary (enterprise) funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Health and Sanitation Fund totaled \$1,823,847 for Health and Sanitation Funds, and \$6,332,733 for Water and Sewer Funds for a total of \$8,156,580. Unrestricted net position increased by \$458,470 primarily due to increases in charges for services such as water purchases and inert landfill fees. Net investment in capital assets was \$1,942,566 for the Health & Sanitation Fund and \$201,804,682 in the Water & Sewer Fund for a total of \$203,747,248. The net total overall growth in net position for these funds was \$27,040,591. The entirety of this increase is attributable to a transfer of capital assets from governmental activities of \$32.47 million.

General Fund Budgetary Highlights

The city did not amend the original general budget (reserve) revenues but did amend expenditures during the year ended December 31, 2014.

- Revenue was more than expected amounts by \$1,367,635 (15.24%). Transfers in totaled \$2,069,764, while the budgeted transfers were \$1,605,000.
- Expenditures were below appropriations by \$724,419 in the general fund, or 6.91% with no budget amendments. The transfers out budget \$600,000, while actual transfers out totaled \$55,101.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of West Fargo's investment in capital assets for its governmental (\$109,438,378) and business-type (\$218,817,248) activities as of December 31, 2014, amounted to \$328,255,626 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, machinery and equipment, improvements to land, and construction in progress. This is an increase of \$10.4 million for governmental activities, or 10.50% from 2013 ending amounts. This is an increase of \$26.5 million for business-type activities, or 13.76% from 2013 ending amounts.

Major capital asset events during the current fiscal year included new street, street lights, storm sewer, and sewer and water projects capitalized in infrastructure and construction in progress in new subdivisions throughout the city, including the widening of 40th Avenue and additions to the sewer Stabilization bonds.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE III
CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES
 (Net of Accumulated Depreciation)
 December 31, 2014 and 2013

	12-31-14	12-31-13
Land	\$ 7,862,632	\$ 7,862,632
Construction in Progress	34,489,585	24,658,618
Land Improvements	11,862	12,318
Buildings	1,288,861	1,359,875
Equipment	1,794,565	1,555,426
Infrastructure	63,990,873	63,590,872
Total Capital Assets (net of accumulated depreciation)	\$109,438,378	\$99,039,741

TABLE III
CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES
 (Net of Accumulated Depreciation)
 December 31, 2014 and 2013

	12-31-14	12-31-13
Land	\$ 1,075,426	\$ 835,634
Buildings	2,063,077	2,110,518
Equipment	1,809,299	1,8251,747
Infrastructure	213,869,446	187,548,758
Total Capital Assets (net of accumulated depreciation)	\$218,817,248	\$192,346,657

Long-Term Debt

At year-end 2014 the City had total debt in governmental activities and enterprise activities of \$201,625,000 (excluding compensated absences), a net overall increase of \$23,780,000 (13.37%) over the prior year. Notes 1D.5 and 4E to the financial statements describe the City's long-term debt in greater detail.

The City issued new debt for Special Assessment Refunding Bonds in the amount of \$38,210,000. This debt was issued for various special assessment capital construction projects.

During the year ended December 31, 2014, the City's bond rating is at Aa 3.

TABLE IV
OUTSTANDING LONG-TERM DEBT
 As of December 31, 2014

	Total Outstanding Dec. 31, 2013	Increases	Decreases	Total Outstanding Dec. 31, 2014	Due Within One Year
Governmental Activities:					
G.O. Bonds	\$ 8,425,000	\$ -	\$ 650,000	\$ 7,775,000	\$ 670,000
Sales Tax Bonds	2,020,000	-	165,000	1,855,000	170,000
Special Assessment Bonds	150,790,000	38,210,000	13,005,000	175,995,000	13,700,000
TIF Bonds	970,000	-	40,000	930,000	45,000
Compensated Absences	1,076,847	-	46,844	1,030,003	103,000
Total Governmental Activities	\$163,281,847	\$38,210,000	\$13,906,844	\$187,585,003	\$14,688,000
Business-Type Activities:					
Sewer Bonds	\$ 15,640,000	\$ -	\$ 570,000	\$ 15,070,000	\$ 590,000
Compensated Absences	366,628	-	38,088	328,540	32,854
Total Business-Type Activities	\$ 16,006,628	\$ -	\$ 608,088	\$ 15,398,540	\$ 622,854

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE IV
OUTSTANDING LONG-TERM DEBT
As of December 31, 2013

	Total			Total	
	Outstanding			Outstanding	Due Within
	Dec. 31, 2012	Increases	Decreases	Dec. 31, 2013	One Year
Governmental Activities:					
G.O. Bonds	\$ 9,065,000	\$ -	\$ 640,000	\$ 8,425,000	\$ 650,000
Sales Tax Bonds	2,060,000	-	40,000	2,020,000	165,000
Special Assessment Bonds	135,790,000	29,530,000	14,530,000	150,790,000	13,005,000
TIF Bonds	1,010,000	-	40,000	970,000	40,000
Compensated Absences	982,280	94,567	-	1,076,847	107,684
Total Governmental Activities	\$148,907,280	\$29,624,567	\$15,250,000	\$163,281,847	\$13,967,684
Business-Type Activities:					
Sewer Bonds	\$ 16,195,000	\$ -	\$ 555,000	\$ 15,640,000	\$ 570,000
Compensated Absences	411,061	-	44,433	366,628	36,663
Total Business-Type Activities	\$ 16,606,061	\$ -	599,433	\$ 16,006,628	\$ 606,663

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Projects in 2014 that boosted the economy in West Fargo included the addition of \$50,460,000 in various street, water and sewer, storm sewer, street lighting projects in various new subdivisions of the city. Also the city issued 430 single family building permits in 2014 along with 111 townhome and 441 apartment units and 42 new construction Commercial permits. The City anticipated that the level on new construction will increase in 2015. The value of a mill for the City is expected to increase from \$98,510 to \$112,915 per mill.

The total operation appropriations for the year 2014 increased by approximately \$13,418,139 from 2013. This 38.5% increase is caused primarily by increases in Capital Purchases (planned new building construction), increased employee salaries and benefits and increased debt service payments.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives to the citizens of West Fargo. If you have any questions about this report or need further information, contact the City of West Fargo Finance Department, 800 4th Ave. E., West Fargo, ND 58078 or visit us online at www.westfargond.gov.

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF NET POSITION
December 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 20,234,421	\$ 8,028,151	\$ 28,262,572
Accounts receivable	179,483	589,951	769,434
Intergovernmental receivable	1,583,080	-	1,583,080
Loan receivable	1,715,643	-	1,715,643
Taxes receivable	60,967	-	60,967
Special assessments receivable - current	210,073	-	210,073
Long-Term Receivable:			
Long-term special assessments receivable	128,025,342	-	128,025,342
Capital Assets not being depreciated:			
Land	7,862,632	1,075,426	8,938,058
Construction in progress	34,489,585	-	34,489,585
Capital Assets being depreciated:			
Improvements to land	11,862	-	11,862
Buildings	1,288,861	2,063,077	3,351,938
Equipment	1,794,565	1,809,299	3,603,864
Infrastructure	63,990,873	213,869,446	277,860,319
Total Capital Assets	<u>\$ 109,438,378</u>	<u>\$ 218,817,248</u>	<u>\$ 328,255,626</u>
Total Assets	<u>\$ 261,447,387</u>	<u>\$ 227,435,350</u>	<u>\$ 488,882,737</u>
LIABILITIES:			
Current Liabilities:			
Accounts & accrued expenses payable	\$ 180,208	\$ 19,575	\$ 199,783
Construction payable	2,935,080	-	2,935,080
Retainages payable	1,385,316	-	1,385,316
Interest payable	908,715	113,408	1,022,123
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Bonds payable	14,585,000	590,000	15,175,000
Compensated absences	103,000	32,854	135,854
Portion Due or Payable After One Year:			
Bonds payable	171,970,000	14,480,000	186,450,000
Compensated absences	927,003	295,685	1,222,688
Total Liabilities	<u>\$ 192,994,322</u>	<u>\$ 15,531,522</u>	<u>\$ 208,525,844</u>
NET POSITION:			
Net investment in capital assets	\$ 50,908,720	\$ 203,747,248	\$ 254,655,968
Restricted for:			
General government	150,901	-	150,901
Public safety	6,088,597	-	6,088,597
Public works/streets	275,392	-	275,392
Culture & recreation	460,196	-	460,196
Economic development	143,323	-	143,323
Other special purposes	213,862	-	213,862
Building/capital projects	2,561,066	-	2,561,066
Debt service	19,421,276	-	19,421,276
Loans	1,715,643	-	1,715,643
Unrestricted	<u>(13,485,911)</u>	<u>8,156,580</u>	<u>(5,329,331)</u>
Total Net Position	<u>\$ 68,453,065</u>	<u>\$ 211,903,828</u>	<u>\$ 280,356,893</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 2,834,684	\$ 1,006,250	\$ 85,298	\$ -	\$ (1,743,136)		\$ (1,743,136)
Public safety	6,353,413	830,700	508,413	-	(5,014,300)		(5,014,300)
Public works/streets	13,079,143	277,779	2,056,937	23,093,317	12,348,890		12,348,890
Economic development	144,647	-	-	-	(144,647)		(144,647)
Culture and recreation	856,156	12,387	6,113	-	(837,656)		(837,656)
Miscellaneous/other	199,895	-	22,992	-	(176,903)		(176,903)
Special assessments	132,403	-	-	-	(132,403)		(132,403)
Interest & costs on long-term debt	5,293,443	-	-	-	(5,293,443)		(5,293,443)
Bond issuance costs	411,611	-	-	-	(411,611)		(411,611)
Total Governmental Activities	\$ 29,305,395	\$ 2,127,116	\$ 2,679,753	\$ 23,093,317	\$ (1,405,209)		\$ (1,405,209)
Business-Type Activities:							
Water and sewer	\$ 11,890,989	\$ 5,336,518	\$ -	\$ -	\$ -	\$ (6,554,471)	\$ (6,554,471)
Health and sanitation	2,637,748	3,038,091	-	-	-	400,343	400,343
Total Business-Type Activities	\$ 14,528,737	\$ 8,374,609	\$ -	\$ -	\$ -	\$ (6,154,128)	\$ (6,154,128)
Total Primary Government	\$ 43,834,132	\$ 10,501,725	\$ 2,679,753	\$ 23,093,317	\$ (1,405,209)	\$ (6,154,128)	\$ (7,559,337)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 5,794,179	\$ -	\$ 5,794,179
Property taxes, levied for debt service					879,203	-	879,203
Property taxes, levied for special purposes					1,999,489	-	1,999,489
Sales taxes					4,835,623	-	4,835,623
State aid distribution & other unrestricted revenues					2,321,786	-	2,321,786
Unrestricted investment interest earnings					70,871	10,957	81,828
Miscellaneous income					3,893,469	317,983	4,211,452
Transfers					(33,324,248)	33,324,249	1
Total General Revenues and Transfers					\$ (13,529,628)	\$ 33,653,189	\$ 20,123,561
Change in Net Position					\$ (14,934,837)	\$ 27,499,061	\$ 12,564,224
Net Position - January 1					\$ 83,376,904	\$ 184,404,767	\$ 267,781,671
Prior Period Adjustments					10,998	-	10,998
Net Position - January 1, as restated					\$ 83,387,902	\$ 184,404,767	\$ 267,792,669
Net Position - December 31					\$ 68,453,065	\$ 211,903,828	\$ 280,356,893

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, 2014

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 8,897,701	\$ 1,845,045	\$ -	\$ -	\$ 9,491,675	\$ 20,234,421
Accounts receivable	107,024	-	-	52,349	20,110	179,483
Intergovernmental receivable	644,605	716,021	-	-	222,454	1,583,080
Loan receivable	-	-	1,600,000	-	115,643	1,715,643
Taxes receivable	34,781	-	12,540	-	13,646	60,967
Special assessments receivable - current	-	-	210,073	-	-	210,073
Special assessments receivable - deferred	-	-	128,025,342	-	-	128,025,342
Due from other city funds	6,173,416	-	20,107,378	-	-	26,280,794
Total Assets	\$ 15,857,527	\$ 2,561,066	\$ 149,955,333	\$ 52,349	\$ 9,863,528	\$ 178,289,803
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Liabilities:						
Accounts & accrued expenses payable	\$ 17,244	\$ -	\$ -	\$ 162,669	\$ 295	\$ 180,208
Construction payable	-	-	-	2,935,080	-	2,935,080
Due to other city funds	-	-	-	26,280,794	-	26,280,794
Total Liabilities	\$ 17,244	\$ -	\$ -	\$ 29,378,543	\$ 295	\$ 29,396,082
Deferred Inflows of Resources						
Deferred taxes & special assmts. rec.	\$ 34,781	\$ -	\$ 128,247,955	\$ -	\$ 13,646	\$ 128,296,382
Total Liabilities & Deferred Inflows of Resources	\$ 52,025	\$ -	\$ 128,247,955	\$ 29,378,543	\$ 13,941	\$ 157,692,464
Fund Balances:						
Non-Spendable:						
Loans receivable	\$ -	\$ -	\$ 1,600,000	\$ -	\$ 115,643	\$ 1,715,643
Restricted:						
Debt service	-	-	20,107,378	-	-	20,107,378
General government	-	-	-	-	333,046	333,046
Public safety	-	-	-	-	186,798	186,798
Public works/streets	-	-	-	-	1,770,774	1,770,774
Culture & recreation	-	-	-	-	514,294	514,294
Economic development	-	-	-	-	143,323	143,323
Other	-	-	-	-	211,717	211,717
Committed:						
Sales tax fund	-	2,561,066	-	-	-	2,561,066
Future building fund	-	-	-	-	6,573,992	6,573,992
Unassigned:						
Negative fund balances	-	-	-	(29,326,194)	-	(29,326,194)
General fund	15,805,502	-	-	-	-	15,805,502
Total Fund Balances	\$ 15,805,502	\$ 2,561,066	\$ 21,707,378	\$ (29,326,194)	\$ 9,849,587	\$ 20,597,339
Total Liabilities and Fund Balances	\$ 15,857,527	\$ 2,561,066	\$ 149,955,333	\$ 52,349	\$ 9,863,528	\$ 178,289,803

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, 2014

Total *Fund Balances* for Governmental Funds \$ 20,597,339

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)	\$ 7,862,632	
Construction in progress (not depreciated)	34,489,585	
Infrastructure, net of (\$41,091,202) accumulated depreciation	63,990,873	
Land Improvements, net of (\$1,825) accumulated depreciation	11,862	
Buildings, net of (\$1,043,140) accumulated depreciation	1,288,861	
Equipment, net of (\$1,888,648) accumulated depreciation	<u>1,794,565</u>	
Total Capital Assets		109,438,378

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	\$ 128,025,342	
Uncollected Taxes Receivable	60,967	
Special Assessments Receivable	<u>210,073</u>	128,296,382

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. (1,385,316)

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, 2014 are:

Accrued Interest on Bonds	\$ (908,715)	
Bonds Payable	(186,555,000)	
Compensated Absences	<u>(1,030,003)</u>	
Total Long-Term Liabilities		<u>(188,493,718)</u>

Total Net Position of Governmental Activities \$ 68,453,065

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, 2014

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes	\$ 5,822,018	\$ -	\$ 867,114	\$ -	\$ 2,008,397	\$ 8,697,529
Special assessments	-	-	16,542,610	-	161,114	16,703,724
Sales taxes	-	4,835,623	-	-	-	4,835,623
Licenses, permits and fees	1,034,748	-	-	-	-	1,034,748
Charges for services	-	-	-	127,193	639,490	766,683
Intergovernmental	2,986,462	-	-	-	2,015,077	5,001,539
Fines, forfeitures and penalties	325,685	-	-	-	-	325,685
Interest on investments	22,335	7,292	22,830	1,584	16,830	70,871
Miscellaneous	150,078	-	3,596,634	-	146,757	3,893,469
Total Revenues	\$ 10,341,326	\$ 4,842,915	\$ 21,029,188	\$ 128,777	\$ 4,987,665	\$ 41,329,871
<u>Expenditures:</u>						
Current:						
General government	\$ 2,603,903	\$ -	\$ -	\$ -	\$ 472,582	\$ 3,076,485
Public safety	5,108,616	-	-	-	1,231,675	6,340,291
Public works/streets	2,045,459	-	-	-	152,335	2,197,794
Economic development	-	-	139,918	-	4,729	144,647
Culture and recreation	-	-	-	-	855,674	855,674
Other	-	-	-	-	191,086	191,086
Capital Outlay	-	-	-	50,051,840	3,608,560	53,660,400
Debt Service:						
Principal - Bonds	-	-	13,860,000	-	-	13,860,000
Interest	-	-	5,032,800	-	-	5,032,800
Fiscal charges & fees	-	-	171,696	-	-	171,696
Bond issuance costs	-	-	-	411,611	-	411,611
Special Assessments	-	-	-	-	132,403	132,403
Total Expenditures	\$ 9,757,978	\$ -	\$ 19,204,414	\$ 50,463,451	\$ 6,649,044	\$ 86,074,887
Excess (Deficiency) of Revenues Over Expenditures	\$ 583,348	\$ 4,842,915	\$ 1,824,774	\$ (50,334,674)	\$ (1,661,379)	\$ (44,745,016)
<u>Other Financing Sources (Uses):</u>						
Proceeds from bond sale	\$ -	\$ -	\$ -	\$ 38,210,000	\$ -	\$ 38,210,000
Transfers in	2,069,764	-	1,295,996	6,220,025	2,311,721	11,897,506
Transfers out	(55,101)	(7,424,360)	(2,589,561)	(563,667)	(1,879,240)	(12,511,929)
Total Other Financing Sources and Uses	\$ 2,014,663	\$(7,424,360)	\$ (1,293,565)	\$ 43,866,358	\$ 432,481	\$ 37,595,577
Net Change in Fund Balances	\$ 2,598,011	\$(2,581,445)	\$ 531,209	\$ (6,468,316)	\$ (1,228,898)	\$ (7,149,439)
Fund Balances - January 1	\$ 13,189,809	\$ 5,142,511	\$ 21,176,169	\$ (22,857,878)	\$ 11,078,485	\$ 27,729,096
Prior Period Adjustments	17,682	-	-	-	-	17,682
Fund Balances - Jan. 1, as restated	\$ 13,207,491	\$ 5,142,511	\$ 21,176,169	\$ (22,857,878)	\$ 11,078,485	\$ 27,746,778
Fund Balances - December 31	\$ 15,805,502	\$ 2,561,066	\$ 21,707,378	\$ (29,326,194)	\$ 9,849,587	\$ 20,597,339

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, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ (7,149,439)

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 and exceeded depreciation, losses on disposals and transfers of capital assets in the current period:

Capital Asset Additions	\$ 48,696,391	
Transfer of Capital Assets to Enterprise Activities	(32,709,825)	
Depreciation on Capital Assets	(5,271,026)	
Losses on Disposal of Capital Assets	<u>(310,219)</u>	10,405,321

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	\$ (38,210,000)	
Repayments:		
Bond Principal	<u>13,860,000</u>	(24,350,000)

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	\$ 46,844	
Net Change in Retainages Payable	(163,551)	
Net Change in Interest Payable	<u>(88,947)</u>	(205,654)

LT 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 LT 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: 6,435,202

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		(24,658)
Net Change in Special Assessments Receivable		<u>(45,609)</u>

Change in Net Position of Governmental Activities \$ (14,934,837)

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, 2014

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 6,355,811	\$ 1,672,340	\$ 8,028,151
Accounts receivable	344,465	245,486	589,951
Total Current Assets	<u>\$ 6,700,276</u>	<u>\$ 1,917,826</u>	<u>\$ 8,618,102</u>
Noncurrent Assets:			
Capital Assets not being depreciated:			
Land	\$ 1,075,426	\$ -	\$ 1,075,426
Capital Assets being depreciated:			
Building	1,153,640	909,437	2,063,077
Equipment	776,170	1,033,129	1,809,299
Infrastructure	213,869,446	-	213,869,446
Total Noncurrent Assets	<u>\$ 216,874,682</u>	<u>\$ 1,942,566</u>	<u>\$ 218,817,248</u>
Total Assets	<u>\$ 223,574,958</u>	<u>\$ 3,860,392</u>	<u>\$ 227,435,350</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 4,608	\$ 14,967	\$ 19,575
Interest payable	113,408	-	113,408
Bonds payable	590,000	-	590,000
Compensated absences	24,953	7,901	32,854
Total Current Liabilities	<u>\$ 732,969</u>	<u>\$ 22,868</u>	<u>\$ 755,837</u>
Noncurrent Liabilities:			
Bonds payable	\$ 14,480,000	\$ -	\$ 14,480,000
Compensated absences	224,574	71,111	295,685
Total Noncurrent Liabilities	<u>\$ 14,704,574</u>	<u>\$ 71,111</u>	<u>\$ 14,775,685</u>
Total Liabilities	<u>\$ 15,437,543</u>	<u>\$ 93,979</u>	<u>\$ 15,531,522</u>
NET POSITION			
Net investment in capital assets	\$ 201,804,682	\$ 1,942,566	\$ 203,747,248
Unrestricted	6,332,733	1,823,847	8,156,580
Total Net Position	<u>\$ 208,137,415</u>	<u>\$ 3,766,413</u>	<u>\$ 211,903,828</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, 2014

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>Operating Revenues:</u>			
Charges for sales services	\$ 5,336,518	\$ 3,038,091	\$ 8,374,609
<u>Operating Expenses:</u>			
Water and sewer operating	\$ 4,553,586	\$ -	\$ 4,553,586
Sanitation operating	-	2,378,735	2,378,735
Depreciation	6,346,988	192,740	6,539,728
Total Operating Expenses	\$ 10,900,574	\$ 2,571,475	\$ 13,472,049
Operating Income	\$ (5,564,056)	\$ 466,616	\$ (5,097,440)
<u>Nonoperating Revenues (Expenses):</u>			
Investment earnings	\$ 8,948	\$ 2,009	\$ 10,957
Miscellaneous revenue	317,983	-	317,983
Miscellaneous expense	(257,913)	(66,273)	(324,186)
Interest expense & fees on long-term debt	(696,867)	-	(696,867)
Loss on capital assets	(35,635)	-	(35,635)
Total Nonoperating Revenue (Expenses)	\$ (663,484)	\$ (64,264)	\$ (727,748)
Income Before Transfers	\$ (6,227,540)	\$ 402,352	\$ (5,825,188)
Transfers in (cash)	\$ 614,484	\$ -	\$ 614,484
Transfers in (govt. activities capital assets)	32,709,825	-	32,709,825
Transfers out (cash)	-	(60)	(60)
Total net transfers	\$ 33,324,309	\$ (60)	\$ 33,324,249
Changes in Net Position	\$ 27,096,769	\$ 402,292	\$ 27,499,061
Net Position - January 1	\$ 181,040,646	\$ 3,364,121	\$ 184,404,767
Net Position - December 31	\$ 208,137,415	\$ 3,766,413	\$ 211,903,828

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, 2014

	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	\$ 5,325,319	\$ 3,036,107	\$ 8,361,426
Payments to suppliers	(2,922,986)	(1,146,989)	(4,069,975)
Payments to employees	(1,675,618)	(1,235,544)	(2,911,162)
Net Cash Provided by Operating Activities	\$ 726,715	\$ 653,574	\$ 1,380,289
<u>Cash Flows from Noncapital Financing Activities:</u>			
Miscellaneous receipts	\$ 119,014	\$ -	\$ 119,014
Miscellaneous disbursements	(257,912)	(66,273)	(324,185)
Maintenance agreement revenue	59,937	-	59,937
Transfer in	614,484	-	614,484
Transfers out	-	(60)	(60)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 535,523	\$ (66,333)	\$ 469,190
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal paid on capital debt	\$ (570,000)	\$ -	\$ (570,000)
Interest & fees paid on capital debt	(699,692)	-	(699,692)
Interest subsidy (build America bonds)	139,032	-	139,032
Construction & purchases of capital assets	(148,464)	(187,665)	(336,129)
Net Cash Used by Capital and Related Financing Activities	\$ (1,279,124)	\$ (187,665)	\$ (1,466,789)
<u>Cash Flows from Investing Activities:</u>			
Interest income	\$ 8,948	\$ 2,009	\$ 10,957
Net Increase in Cash and Cash Equivalents	\$ (7,938)	\$ 401,585	\$ 393,647
Cash and Cash Equivalents - January 1	\$ 6,363,749	\$ 1,270,755	\$ 7,634,504
Cash and Cash Equivalents - December 31	\$ 6,355,811	\$ 1,672,340	\$ 8,028,151
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (loss)	\$ (5,564,056)	\$ 466,616	\$ (5,097,440)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Depreciation expense	6,346,987	192,740	6,539,727
Decrease (increase) in utility billing receivables	(11,199)	(1,984)	(13,183)
Increase (decrease) in compensated absences	(20,539)	(17,551)	(38,090)
Net change in accrued payables	(24,478)	13,753	(10,725)
Net Cash Provided (Used) by Operating Activities	\$ 726,715	\$ 653,574	\$ 1,380,289

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2014

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and investments	<u>\$ 841,971</u>
Total Assets	<u><u>\$ 841,971</u></u>
<u>LIABILITIES:</u>	
Accounts payable	\$ 283,312
Due to others	<u>558,659</u>
Total Liabilities	<u><u>\$ 841,971</u></u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of the City of West Fargo. The City of West Fargo has considered all potential component units for which the city is financially accountable, and other organizations for which the nature and significance of their relationship with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City of West Fargo to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City of West Fargo.

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

B. Government-wide and fund financial statements

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

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

Fund Financial Statements: The fund financial statements provide information about the city's funds including its fiduciary funds. Separate statements for each fund category-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, results from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

In addition, the City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

Government-wide, proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund, and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

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

D: Assets, Liabilities and Fund Balances/Net Position

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables and Payables

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

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

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

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

3. Capital Assets

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

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

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

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

4. Compensated Absences

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

Sick leave is accrued at a rate of four hours per month for from one to five years of service and eight hours per month of continuous service after five years. A maximum of 480 hours 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

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. 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

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

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

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

The City of West Fargo reports non-spendable fund balance, restricted fund balances, committed fund balances, and unassigned fund balances at December 31, 2014.

Non-spendable fund balances are reported in various debt service funds (3730, 3982, & 3983) totaling \$1,600,000 for loans receivable, and Economic Development loans receivable of \$115,643 for a total of \$1,715,643.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Restricted fund balances are reported for the debt service fund of \$20,107,378 and various functions within the special revenue funds for restricted tax levies, and amounts restricted by state and federal grants/contracts totaling \$3,159,952.

Committed fund balances are reported for the sales tax fund of \$2,561,066, committed by the governing board to close out various capital projects and for debt service, and the Future Building Fund in the amount of \$6,573,992 also committed by the governing board for construction which started in 2014.

Unassigned fund balances are reported for the general fund \$15,805,502 and for negative fund balances reported in the capital projects fund \$(29,326,194) for a total of \$(13,520,692).

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.

7. Inter-fund Transactions

In the fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reduction of expenditures in the fund that is reimbursed. All other transactions, except reimbursements, are reported as transfers.

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$47,855,726 differences are as follows on next page:

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Total Governmental Fund Balances		\$ 20,597,339
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		109,438,378
Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds (taxes & special assessments receivables)		128,296,382
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		(186,555,000)
Interest Payable		(908,715)
Retainages Payable		(1,385,316)
Compensated Absences Payable		(1,030,003)
Net Position of Governmental Activities		\$ 68,453,065

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 \$(7,785,398) difference are as follows:

Net Changes in Fund Balance-Governmental Funds		\$ (7,149,439)
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. This is the amount that capital outlay, exceeded depreciation, and capital asset losses,		43,115,146
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.		(88,947)
Accrued compensated absences reported in the statement of activities does not require current financial resources and therefore, are not reported as expenditures in the governmental funds.		46,844
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.		(163,551)
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.		(32,709,825)

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

CONTINUED....

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.	\$ (24,658)
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.	(38,210,000)
Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in statement of net position.	13,860,000
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:	6,389,593
Change in Net Position of Governmental Activities	\$(14,934,837)

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.

The governing board approved the following budget amendments to the 2014 city budget (expenditures and transfers out):

Fund #	Description	Change
2000	Sales Tax Fund	\$5,774,361
2050	Park (agency fund)	791,790
2060	Fire	120
2080	Building & Technology	42,686
2120	911	3,226
2130	Municipal Highway	232,832
2141	FM Visitor's Bureau	50,821

CONTINUED.....

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Fund #	Description	Change
2146	Otto Bremer Grant	\$ 3,062
2200	Vector Control	26,568
2800	West Fest	12,646
2900	Cruise Night	9,834
2230	City Utility	112,008
3339	Rib 2011 c	135
3340	Rib 2011 b	56
3341	Rib 2011 a	56
3344	Sidewalk 6043 - 2006	44
3345	Sidewalk 6042 - 2005	165
3347	Sidewalk 6044 - 2007	123
3348	Rib 2008 b	42
3349	Rib 2008 c	62
3351	Rib 2009 a	44
3353	Rib 2009 b	48
3355	Refund Bond 2005C	295
3360	Rib 2012 b	45
3365	Rib 2007a	43
3366	Rib 2007 b	118
3368	GO Bonds 2009	49
3370	Rib 2009 c	102
3371	Rib 2010 a	43
3372	Rib 2010 b	31
3379	2012 Sales Tax Bonds-Costco	138,520
3381	Rib 2014a	1,730
3382	Rib 2014b	695,931
3384	Rib 2014 a	1,646,431
3385	Rib 2014 b	1,339,963
	TOTAL	\$10,884,028

NOTE 4: DETAILED NOTES ON ALL FUNDSA. Deposits and Investments

In accordance with North Dakota Statutes, the city maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, city, park district, or other political subdivision of the state of North Dakota. whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by any other state of the United States or such other securities approved by the banking board.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

At year ended December 31, 2014, the city's carrying amount of deposits was \$29,104,452 and the bank balances were \$30,645,172. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$29,395,172 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, 2014, the city held certificates of deposit totaling \$1,115,621.

The City's bond rating was Aa3 during the year ended December 31, 2014.

B. Receivables

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

Receivables:	General	Non Major Funds	Debt/Cap. Const.	Sales Tax	Water/ Sewer	Health/ Sanitation	Total
Accounts Rec.	\$107,024	\$ 20,110	\$ 52,349	\$ -	\$344,465	\$245,486	\$ 769,434
Taxes Receivable	34,781	13,646	12,540	-	-	-	60,967
Loans Receivable	-	115,643	1,600,000	-	-	-	1,715,643
Specials-Current	-	-	210,073	-	-	-	210,073
Specials-LT Uncertified	-	-	128,025,342	-	-	-	128,025,342
Intergovt.-Receivable	644,605	222,454	-	716,021	-	-	1,583,080
Total Receivables	\$786,410	\$371,853	\$129,900,304	\$716,021	\$344,465	\$245,486	\$132,364,539

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	\$ 34,781
Taxes Receivable - NM Funds	13,646
Taxes Receivable - Debt Service Funds	12,540
Special Assessments Receivable-Current	210,073
LT Uncertified Spec. Assessments Receivable	128,025,342
Total Deferred Inflows - Balance Sheet	\$128,296,382

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

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

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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.

C. Inter-fund Receivables/Payables and Transfers

Interfund receivables & payables -- the amount of due to/from other funds represents the \$26,280,794 total that the capital projects funds owes the debt service funds (\$20,107,378) and the general fund (\$6,173,416) 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, 2014 (does not include capital asset transfers between governmental and business-type activities):

Transfers In							
Transfers Out	General	Debt Service	Capital Projects	Sales Tax	Non-Major	Enterprise Funds	Total
General	\$ -	\$ 954	\$235,978	\$ -	\$1,832,832	\$ -	\$ 2,069,764
Debt Service	-	-	-	1,295,996	-	-	1,295,996
Capital Projects	142	-	327,689	5,892,134	-	60	6,220,025
Non-Major	54,959	1,974,123	-	236,230	46,408	-	2,311,720
Enterprise	-	614,484	-	-	-	-	614,484
Totals	\$55,101	\$2,589,561	\$563,667	\$7,424,360	\$1,879,240	\$60	\$12,511,989

Interfund cash transfers in/out totaling \$12,511,989 consist of the following:

- \$614,484 to Water & Sewer from various non-major special revenue, and capital projects funds;
- \$1,832,832 from Highway Tax to General to fund street expenses;
- \$54,959 from the general fund to the E-911 fund to help with operating expenses;
- \$142 from the general fund to the capital projects funds;
- \$236,932 into general fund reserve (general fund) from various capital projects funds totaling \$235,978, and from debt service fund 3880 for \$954;
- \$1,295,996 from Sales tax to Debt Service funds 3368 & 3379 for scheduled debt payments;
- \$5,892,134 from Sales tax to the Future Building Fund (\$1,974,123) for construction of the new police building, and into various capital projects funds for various infrastructure projects.
- \$500,080 from the Sales Tax Fund to the Capital Improvements Fund;
- \$6,220,025 into Capital Projects to help finance various capital projects, and to close various completed capital projects funds;
- \$2,588,607 out of debt service funds 3384 & 3385 to capital projects fund(s);
- \$60 from the sanitation enterprise fund to the capital projects fund;

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

D. Capital Assets

	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 7,862,632	\$ 239,792	\$ 239,792	\$ 7,862,632
Construction in Progress	24,658,616	47,849,403	38,018,437	34,489,585
Total Capital Assets, Not Being Depreciated	\$ 32,521,250	\$48,089,195	\$38,258,229	\$ 42,352,217
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,332,001	\$ -	\$ -	\$ 2,332,001
Equipment	3,611,942	607,196	535,925	3,683,214
Land Improvements	13,687	-	-	13,687
Infrastructure	99,760,133	5,321,943	-	105,082,076
Total Capital Assets, Being Depreciated	\$105,717,763	\$5,929,139	\$535,925	\$111,110,977
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 972,126	\$ 71,014	\$ -	\$ 1,043,140
Equipment	2,056,416	284,399	452,167	1,888,648
Land Improvements	1,369	456	-	1,825
Infrastructure	36,176,045	4,915,157	-	41,091,202
Total Accumulated Depreciation	\$ 39,205,956	\$ 5,271,027	\$ 452,167	\$ 44,024,816
Total Capital Assets Being Depreciated, Net	\$ 66,511,807	\$ 658,112	\$ 83,758	\$ 67,086,161
Governmental Activities Capital Assets, Net	\$ 99,033,057	\$48,747,307	\$38,341,987	\$109,438,378

	Balance 1-1-14	Increases	Decreases	Balance 12-31-14
Enterprise Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 835,634	\$ 239,792	\$ -	\$ 1,075,426
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,372,095	\$ -	\$ -	\$ 2,372,095
Equipment	7,102,202	336,129	131,276	7,307,055
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	228,640,813	32,470,033	-	261,110,846
Total Capital Assets, Being Depreciated	\$241,866,906	\$32,806,162	\$131,276	\$274,541,792
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 261,577	\$ 47,442	\$ -	\$ 309,019
Equipment	5,250,455	342,942	95,641	5,497,756
Land Improvements	3,751,796	-	-	3,751,796
Infrastructure	41,092,055	6,149,345	-	47,241,400
Total Accumulated Depreciation	\$ 50,355,883	\$ 6,539,728	\$ 95,641	\$ 56,799,970
Total Capital Assets Being Depreciated, Net	\$191,511,023	\$26,266,434	\$ 35,635	\$217,741,822
Governmental Activities Capital Assets, Net	\$192,346,657	\$26,506,226	\$ 35,635	\$218,817,248

Increases for governmental activities consist of the following:

- Capital asset expenditure additions totaling \$48,696,391;
- Transfer to infrastructure from construction in progress totaling \$5,321,943;
- Current Depreciation taken during 2014 totaling \$5,271,027;

Decreases for governmental activities consist of the following:

- Deleted assets totaling \$762,386;
- Transfer from construction in progress to infrastructure totaling \$5,321,943;
- Accumulated depreciation for deleted assets totaling \$452,167;
- Transfer to Enterprise Funds totaling \$32,709,825;

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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

- Capital asset additions totaling \$336,129;
- Transfer from Government Activities totaling \$32,709,825;
- Depreciation expense totaling \$6,539,728;

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

- Deleted assets totaling \$131,276;
- Accumulated depreciation for deleted assets totaling \$95,641;

Depreciation expense was charged to the following functions/programs of the City's governmental activities for the current fiscal year (\$5,271,027):

Governmental Activities:	Amounts
General Government	\$ 91,108
Public Safety	138,402
Public Works and Infrastructure	5,026,704
Other - Airport	8,809
Forestry	6,004
Total Depreciation Expense-Government Activities	\$5,271,027

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

Governmental Activities:	Amounts
Beginning Capital Assets 2014	\$99,039,741
Net Adjustment – Capital Assets (eqmt. & infra.)	(6,684)
Beginning Capital Assets 2014 Restated	\$99,033,057

E. Long-term Debt

Changes in Long-Term Liabilities:

During the year ended December 31, 2014, the following changes occurred in long-term liabilities of governmental and business type activities:

Primary Government - Governmental Activities:

Governmental Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
G.O. Bonds	\$ 8,425,000	\$ -	\$ 650,000	\$ 7,775,000	\$ 670,000
Sales Tax Revenue Bonds	2,020,000	-	165,000	1,855,000	170,000
Spec. Assmt. Bonds	150,790,000	38,210,000	13,005,000	175,995,000	13,700,000
TIF Bonds	970,000	-	40,000	930,000	45,000
Compensated Absences *	1,076,847	-	46,844	1,030,003	103,000
Total Govt. Activities	\$163,281,847	\$38,210,000	\$13,906,844	\$187,585,003	\$ 14,688,000
Total Bonds Payable	\$162,205,000	\$38,210,000	\$13,860,000	\$186,555,000	\$14,585,000
Total SA & TIF Bonds Pay	\$151,760,000	\$38,210,000	\$13,045,000	\$176,925,000	\$13,745,000

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

Enterprise Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Sewer Bonds	\$15,640,000	\$ -	\$570,000	\$15,070,000	\$590,000
Compensated Absences *	366,628	-	38,088	328,540	32,854
Total Governmental Activities	\$16,006,628	\$ -	\$608,088	\$15,398,540	\$622,854

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

* - The change in compensated absences 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 \$670,000 to \$915,000 through 2024; interest at 2.75% to 4.35%. \$7,775,000

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	G.O. Bonds Payable	
	Principal	Interest
2015	\$ 670,000	\$ 282,263
2016	685,000	263,837
2017	705,000	243,287
2018	730,000	222,138
2019	755,000	198,778
2020 – 2024	4,230,000	546,207
TOTALS	\$7,775,000	\$1,756,510

The City issued \$38,210,000 of special assessment debt in 2014 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 \$760,000 through 2017; interest at 3.0%. \$ 2,165,000

\$5,430,000 Refunding Improvement Bonds of 2009, Series B (refund of 2003C and 2003D) due in annual installments of \$290,000 to \$825,000 through 2018; interest at 2.75% to 4.0%. 1,225,000

\$7,725,000 Refunding Improvement Bonds of 2009, Series C, due in annual installments of \$310,000 to \$325,000 through 2034; interest at 2.5% to 4.85%. 6,370,000

\$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%. 310,000

\$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%. 480,000

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Special Assessment Bonds (including TIF bonds): Continued

\$570,000 Tax Increment Revenue Bonds of 2009, due in annual installments of \$30,000 to \$50,000; interest at 3.4% to 4.5%.	\$ 450,000
\$5,935,000 Refunding Improvement Bonds of 2010, Series A, due in annual installments of 600,000 to \$675,000 through 2019; interest at 2.2% to 3.5%.	3,120,000
\$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%.	6,165,000
\$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%.	720,000
\$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$700,000 through 2023; interest at 4.0%.	5,665,000
\$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%.	3,600,000
\$240,000 Sidewalk Bonds of 2007, due in annual installments of \$20,000 to \$25,000 through 2017; interest 4.0% to 4.1%	65,000
\$215,000 Sidewalk Bonds of 2008, due in annual installments of \$20,000 through 2018; interest at 4.0%.	80,000
\$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%.	1,625,000
\$7,080,000 Refunding Improvement Bonds 2008, Series C due in annual installments of \$450,000 to \$475,000 through 2024; interest 4.0% to 4.75%.	4,605,000
\$2,645,000 Refunding Improvement Bonds 2011, Series B due in annual installments of \$175,000 to \$320,000 through 2020; interest 1.8% to 3.5%.	1,675,000
\$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%.	9,010,000
\$5,315,000 Refunding Improvement Bonds 2011, Series A due in annual installments of \$550,000 to \$620,000 through 2020; interest 2.0% to 4.0%.	3,440,000
\$17,775,000 Refunding Improvement Bonds 2014, Series A due in annual installments of \$610,000 to \$900,000 through 2038; interest 2.0% to 3.65%.	17,750,000
\$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.	140,000

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Special Assessment Bonds (including TIF bonds): Continued

\$15,630,000 Refunding Improvement Bonds of 2012, Series A, due in annual installments of \$535,000 to \$825,000 through 2036; interest rate from 3.0% to 4.25%.	\$13,780,000
\$6,030,000 Refunding Improvement Bonds of 2012, Series B, refinance of 2006A, due in annual installments of \$595,000 to \$730,000 through 2021; interest rate from .65% to 1.85%.	4,560,000
\$225,000 Sidewalk Bonds of 2006, due in annual installments of \$20,000 through 2016; interest rate at 4.25%.	40,000
\$9,740,000 Refunding Improvement Bonds of 2012, Series C, refinance of 2005B and 2005D, due in annual installments of \$405,000 to \$1,240,000 through 2021; interest rate from 1.50% to 4.50%.	7,270,000
\$37,600,000 Refunding Improvement Bonds of 2012, Series D, included refinance of 2008A, due in annual installments of \$1,145,000 to \$2,445,000 through 2037; interest rate from 2.0% to 3.375%.	33,650,000
\$15,900,000 Refunding Improvement Bonds of 2014, Series A, due in annual installments of \$570,000 to \$800,000 through 2037; interest rate from 2% to 3.25%.	15,100,000
\$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
\$13,630,000 Refunding Improvement Bonds of 2014, Series B, due in annual installments of \$225,000 to \$675,000 through 2038; interest rates from 2% to 4.2%.	<u>13,405,000</u>
Total Special Assessment & TIF Bonds	<u>\$176,925,000</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 1.20% to 3.00%.	<u>\$ 1,855,000</u>
Total of "Bonds" for Governmental Activities	<u>\$178,780,000</u>

Annual debt service requirements to maturity for special assessment, sales tax, and TIF bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Total Bonds (except GO Bonds)	
	Principal	Interest
2015	\$ 13,915,000	\$ 5,342,088
2016	14,405,000	5,055,776
2017	13,645,000	4,676,777
2018	12,215,000	4,297,863
2019	11,770,000	3,926,970
2020 – 2024	42,290,000	14,981,107
2025 – 2029	28,375,000	9,522,758
2030 – 2034	26,535,000	4,908,781
2035 – 2039	15,630,000	881,390
TOTALS	\$178,780,000	\$53,593,510

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 \$405,000 to \$630,000 through 2030; interest at 2.5% to 4.25% - enterprise funds (Business-Type Activities). \$ 8,050,000

\$7,870,000 Water and Sewer Revenue Bonds Series 2009 due in annual installments of \$185,000 to \$1,140,000 through 2034; interest at 4.25% to 6.375% - enterprise funds (Business-Type Activities) 7,020,000

Total Business-Type Activities Revenue Bonds \$15,070,000

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

BUSINESS-TYPE ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2015	\$ 590,000	\$ 680,450
2016	610,000	662,463
2017	630,000	643,313
2018	640,000	627,625
2019	665,000	605,300
2020 – 2024	3,740,000	2,602,360
2025 – 2029	4,600,000	1,724,340
2030 – 2034	3,595,000	690,094
TOTALS	\$15,070,000	\$8,235,944

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.

G. Pension Plan

The City of West Fargo contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, Post Office Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 7% of their annual covered salary. The city is required to contribute 8.26% of the employee's salary, which consists of 6.26% for employee retirement and 1% for the retiree health benefits fund. The city has agreed to pay 100% of the member assessments in lieu of a salary increase. The contribution requirements of plan members and the city are established and may be amended by the State legislature. The city's contributions to NDPERS for the years ending December 31, 2014, 2012 and 2011 were \$713,503, \$487,641, \$494,643, respectively, equal to the required contributions for each year.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

The City also participates in a defined contribution (457B deferred compensation) plan. The city's contributions to the 457B deferred compensation plan for the years ended December 31, 2014, 2012, and 2011 were \$128,768, \$169,941, and \$165,539.

NOTE 5: INDIVIDUAL FUND DEFICITS

The following funds were in a deficit cash position at December 31, 2014:

Fund	Balance
<u>Non-major Fund - Special Revenue:</u>	
Vector Control	\$ (34,955)
<u>Debt Service Funds (Major):</u>	
2012 Sidewalk District	(213,975)
<u>Capital Projects Funds (Major):</u>	
Total Capital Projects Funds (various funds, net)	(26,280,794)

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 6: 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 \$5,856,660 for mobile equipment and portable property.

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 workers 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.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

NOTE 7: OPEN CONSTRUCTION PROJECTS

The city had 16 construction projects open at year-end. The total amount of construction costs in progress was \$30,565,042 with contract amounts of \$34,394,858 leaving total construction commitments of \$3,829,816 at December 31, 2014.

Project	Contract Amount	Total Completed	Remaining Balance	Retainage
Water Impr District # 1246	\$ 862,883	\$ 840,613	\$ 22,270	\$ 8,406
Storm District #4050	3,526,064	3,330,829	195,235	176,534
Storm District #4051	269,332	236,403	32,929	13,467
Sewer Impr District #1253-Phase II	3,305,633	3,339,774	(34,142)	66,795
Sewer, W, Stm & Street Impr District # 1259	2,871,389	2,935,120	(63,731)	90,351
Sewer, W, Stm & Street Impr District # 1262	1,128,381	1,185,531	(57,150)	-
Sewer, W, Stm & Street Impr District # 1266	710,049	331,167	378,882	33,117
Sewer, W, Stm & Street Impr District # 1268	6,376,266	6,143,219	233,047	319,447
Sewer, W, Stm & Street Impr District # 1269	6,096,031	5,620,165	475,866	281,008
Sewer, W, Stm & Street Impr District # 1271	2,484,628	1,728,813	755,815	124,155
Sewer, W, Stm & Street Impr District # 1272	107,105	97,262	9,843	5,355
Sewer, W, Stm & Street Impr District # 1274	290,219	280,680	9,539	-
Sewer, W, Stm & Street Impr District # 1275	3,100,537	2,766,915	333,622	141,113
Sewer, W, Stm & Street Impr District # 1281	1,774,481	613,810	1,160,671	61,381
Fiber Optic Plan	369,785	538,841	(169,056)	8,083
Street District #2232	1,122,076	575,900	546,176	56,104
Total	\$34,394,858	\$30,565,042	\$3,829,816	\$1,385,316

NOTE 8: SUBSEQUENT EVENTS

In June of 2015, the City Commission approved the issuance of the following bond issue dated July 1, 2015:

- \$28,180,000 of Refunding Improvement Bonds of 2015, Series A. The bonds were issued to fund various construction projects: Sewer, Water, & Storm Improvement Districts #1259, #1268, #1269, #1275; Goldenwood 5th Addition – Phase II, and Storm Improvement Districts #4050 and #4051.

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

The general fund beginning fund balance was adjusted for \$17,682 for a loan payment allocated in the prior year after the general ledger was closed in the prior year.

Additionally, adjustments were necessary to properly restate the beginning net position for prior period capital asset errors to governmental activities consisting of a total net decrease of \$6,683.

The net prior period adjustments to beginning governmental activities totaled a net increase of \$10,998.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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

Governmental Activities:	Amounts
Beginning Capital Assets 2014	\$99,039,741
Net Adjustment – Capital Assets (eqmt. & infra.)	(6,684)
Beginning Capital Assets 2014 Restated	\$99,033,057

Prior period adjustments to beginning fund balances is as follows:

Fund Balance Adjustments:	General Fund	Total Funds
Fund Balances as previously reported	\$13,189,809	\$27,729,096
Adjustments to restate the January 1, 2014 fund balances as outlined below:		
Loan Payment - general fund	17,682	17,682
Fund Balances, January 1, 2014 as restated	\$13,207,491	\$27,746,778

Prior period adjustments to beginning net position is as follows:

Net Position Adjustments:	Govt. Activities
Net Position as previously reported	\$83,376,904
Adjustments to restate the January 1, 2014 net position for various items as outlined below:	
General Fund -- remove prior loan payment	17,682
<u>Capital Asset Prior Period Errors:</u>	
Equipment - increase cost	5,400
Infrastructure - decrease cost	(6,784)
Equipment -- increase accumulated depreciation	(5,300)
Net Position, January 1, 2014 as restated	\$83,387,902

CITY OF WEST FARGO
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 5,749,190	\$ 5,749,190	\$ 5,822,018	\$ 72,828
Licenses, Permits & Fees	661,500	661,500	1,034,748	373,248
Intergovernmental	2,314,001	2,314,001	2,986,462	672,461
Fines, Forfeitures, & Penalties	225,000	225,000	325,685	100,685
Interest Income	10,000	10,000	22,335	12,335
Miscellaneous	14,000	14,000	150,078	136,078
Total Revenues	\$ 8,973,691	\$ 8,973,691	\$ 10,341,326	\$ 1,367,635
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,913,974	\$ 2,913,974	\$ 2,603,903	\$ 310,071
Public Safety	5,296,571	5,296,571	5,108,616	187,955
Public Works/Streets	2,271,852	2,271,852	2,045,459	226,393
Total Expenditures	\$ 10,482,397	\$ 10,482,397	\$ 9,757,978	\$ 724,419
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,508,706)	\$ (1,508,706)	\$ 583,348	\$ 2,092,054
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,605,000	\$ 1,605,000	\$ 2,069,764	\$ 464,764
Transfers Out	(600,000)	(600,000)	(55,101)	544,899
Total Other Financing Sources and Uses	\$ 1,005,000	\$ 1,005,000	\$ 2,014,663	\$ 1,009,663
Net Changes in Fund Balances	\$ (503,706)	\$ (503,706)	\$ 2,598,011	\$ 3,101,717
Fund Balance - January 1	\$ 13,207,491	\$ 13,207,491	\$ 13,207,491	\$ -
Fund Balance - December 31	\$ 12,703,785	\$ 12,703,785	\$ 15,805,502	\$ 3,101,717

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,800,000	\$ 2,800,000	\$ 4,835,623	\$ 2,035,623
Interest Income	1,500	1,500	7,292	5,792
Total Revenues	<u>\$ 2,801,500</u>	<u>\$ 2,801,500</u>	<u>\$ 4,842,915</u>	<u>\$ 2,041,415</u>
<u>Expenditures:</u>				
Current:	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,801,500</u>	<u>\$ 2,801,500</u>	<u>\$ 4,842,915</u>	<u>\$ 2,041,415</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,650,000)	\$ (7,424,361)	\$ (7,424,360)	\$ 1
Net Changes in Fund Balances	<u>\$ 1,151,500</u>	<u>\$ (4,622,861)</u>	<u>\$ (2,581,445)</u>	<u>\$ 2,041,416</u>
Fund Balance - January 1	<u>\$ 5,142,511</u>	<u>\$ 5,142,511</u>	<u>\$ 5,142,511</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 6,294,011</u>	<u>\$ 519,650</u>	<u>\$ 2,561,066</u>	<u>\$ 2,041,416</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing body adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America 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 of these funds.

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

- On or before September 10th of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a breakdown of the estimated revenues and appropriations.
- The governing body holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7th, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing body may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the governing board and the approval must be noted in the official proceedings of the board.
- All appropriations lapse at year-end.

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-14
General Fund (Major)	\$ 8,565,406.50	\$ 10,031,519.05	\$ 1,832,831.94	\$ -	\$ 54,979.15	\$ 9,707,362.90	\$ 10,667,415.44
General Fund Reserve	4,123,573.21	174,732.26	236,932.31	-	122.00	119,632.62	4,415,483.16
Total General Fund	\$ 12,688,979.71	\$ 10,206,251.31	\$ 2,069,764.25	\$ -	\$ 55,101.15	\$ 9,826,995.52	\$ 15,082,898.60
Special Revenue Funds:							
Sales Tax (Major)	\$ 4,745,103.34	\$ 4,524,302.01	\$ -	\$ -	\$ 7,424,360.85	\$ -	\$ 1,845,044.50
Special Revenue Funds (Nonmajor):							
City's Share of Specials	\$ 149.52	\$ 161,130.15	\$ -	\$ -	\$ -	\$ 132,402.74	\$ 28,876.93
Fire Fund	97,928.96	670,611.53	-	-	-	650,120.11	118,420.38
Building & Technology Fund	244,351.72	354,514.85	-	-	-	380,015.92	218,850.65
Gaming Funds	11,459.28	7,928.71	-	-	-	-	19,387.99
E-911	5,396.22	476,520.42	54,959.15	-	-	536,875.79	-
Municipal Highway Fund	1,512,084.34	1,834,991.65	-	-	1,832,831.94	-	1,514,244.05
Lodging Tax	106,109.73	142.43	-	-	-	11,745.00	94,507.16
FM Visitor's Bureau-Lodging	-	80,821.03	-	-	-	80,821.03	-
Otto Bremer Grant Crisis Training	13,082.49	1,600.00	-	-	-	3,062.13	11,620.36
Vector Control	(13,605.18)	77,168.47	-	-	-	91,567.51	(28,004.22)
Forestry	49,349.35	73,498.98	-	-	-	60,767.28	62,081.05
Flood Control	(36,230.40)	-	36,230.40	-	-	-	-
National Night Out (Night to Unite)	105.48	4,525.04	-	-	-	4,565.80	64.72
Future Building	8,196,511.01	11,917.72	1,974,123.00	-	-	3,608,559.74	6,573,991.99
West Fest	19,732.47	29,612.00	-	-	-	22,646.19	26,698.28
Cruise Night	4,602.79	10,980.00	-	-	-	10,834.30	4,748.49
Asset Forfeitures	32,247.03	61,498.14	-	-	-	37,051.15	56,694.02
Library General (used to be CU)	390,200.26	908,432.28	6,408.31	-	-	822,193.50	482,847.35
Library Memorials (used to be CU)	6,408.31	-	-	-	6,408.31	-	-
Airport Authority (used to be CU)	73,333.24	189,397.76	40,000.00	-	-	191,085.75	111,645.25
Airport Authority Bond Construction	111,044.36	149.50	-	-	40,000.00	-	71,193.86
Economic Development	56,182.33	7,512.38	200,000.00	-	-	4,728.57	258,966.14
Change Fund	300.00	-	-	-	-	-	300.00
Total Special Revenue Funds (Nonmajor)	\$ 10,880,743.31	\$ 4,962,953.04	\$ 2,311,720.86	\$ -	\$ 1,879,240.25	\$ 6,649,042.51	\$ 9,627,134.45
Total Special Revenue Funds	\$ 15,625,846.65	\$ 9,487,255.05	\$ 2,311,720.86	\$ -	\$ 9,303,601.10	\$ 6,649,042.51	\$ 11,472,178.95
Debt Service Funds (Major):							
2011-C RIB	\$ 1,085,921.85	\$ 937,740.55	\$ -	\$ -	\$ -	\$ 755,435.00	\$ 1,268,227.40
RIB 2011 B (recall 2004B)	363,271.27	314,566.10	-	-	-	363,453.50	314,383.87
2005 A Refunding Improvement Bonds	3,246,511.09	299,591.84	-	-	-	736,618.50	2,809,484.43
Sidewalk 6043 - 2006	22,216.65	10,585.41	-	-	-	29,214.00	3,588.06
Sidewalk 6042 - 2005	36,388.17	20,072.77	-	-	-	23,280.00	33,180.94
Sidewalk 6044 - 2007	58,595.76	13,006.66	-	-	-	24,763.00	46,839.42
2008-B RIB	112,979.74	251,694.56	-	-	-	257,890.50	106,783.80
2008-C RIB	1,114,955.61	719,159.32	-	-	-	682,714.50	1,151,400.43
2009-A RIB (from 2001/2001c/2002)	1,544,012.17	610,083.57	-	-	-	837,434.00	1,316,661.74
2009-B RIB (from 2003C & 2003D)	847,226.99	614,966.73	-	-	-	853,624.25	608,569.47
2005-C Refunding Bonds	437,484.24	367,432.43	-	-	-	524,580.00	280,336.67
2006 A RIB	483,356.47	497,871.85	-	-	-	786,000.00	195,228.32
2007A RIB	1,280,155.11	755,771.86	-	-	-	941,708.00	1,094,218.97
2007B RIB	1,361,764.82	550,735.13	-	-	-	586,673.00	1,325,826.95
G.O. Bonds 2009	7,061.40	611.51	950,000.00	-	-	949,626.50	8,046.41
Municipal Bonds 2009 NDPFA	158,953.63	32,144.59	-	-	-	33,175.84	157,922.38
2009-C RIB	500,906.21	607,921.62	-	-	-	590,385.75	518,442.08
2010 A - RIB (refund of 2003E & 2004A)	1,167,917.85	842,000.24	-	-	-	773,114.50	1,236,803.59
2010 B - RIB	164,374.55	610,761.81	-	-	-	525,093.50	250,042.86
Sidewalk Refunding Bonds 2010	(18,940.60)	130,595.28	-	-	-	62,496.00	49,158.68
2012 A-RIB	1,107,648.43	1,347,050.99	-	-	-	1,301,663.54	1,153,035.88
2012 Sidewalk Refunding Bonds	35,004.73	22,993.55	-	-	-	19,029.00	38,969.28
2012 C (Ref of 2005B & 2005D)	2,002,262.77	1,185,209.70	-	-	-	1,488,900.00	1,698,572.47
2012 D Special Assessment Bond	1,149,004.83	3,471,266.05	-	-	-	3,345,693.02	1,274,577.86
2012 Sales Tax Bonds	229,190.24	131.92	345,995.89	-	-	352,395.14	222,922.91
Reserve for 2012 Sales Tax Bonds	206,000.00	185.52	-	-	-	-	206,185.52

Continued on next page....

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-14
CONTINUED.....							
Debt Service Funds (Major):							
2013 A RIB	\$ 560,055.76	\$ 1,593,200.55	\$ -	\$ -	\$ -	\$ 1,190,829.88	\$ 962,426.43
2013B RIB	259,313.28	727,109.93	-	-	-	695,931.06	290,492.15
2012 Sidewalk District (6050)	(240,000.00)	26,025.20	-	-	-	-	(213,974.80)
2014A Refunding Improvement Bond	-	1,733,794.67	-	-	1,309,369.00	337,062.17	87,363.50
2014B Refunding Improvement Bond	-	1,866,628.89	-	-	1,279,238.00	60,725.00	526,665.89
2067	1,533,480.88	14.81	-	-	-	-	1,533,495.69
#6039 - Sidewalk 2003	4,918.81	1,147.78	-	-	954.09	5,112.50	-
TIF Bonds Sterling Industrial Park (to 3377)	172,410.82	244,248.32	-	-	-	-	416,659.14
TIF Butler (to 3360 and 3366)	109,028.47	508,073.54	-	-	-	19,863.67	597,238.34
TIF Titan Machinery (to 3370)	72,737.05	114,792.35	-	-	-	49,928.50	137,600.90
Total Debt Service Funds	\$ 21,176,169.05	\$ 21,029,187.60	\$ 1,295,995.89	\$ -	\$ 2,589,561.09	\$ 19,204,413.82	\$ 21,707,377.63
Capital Projects Funds (Major):							
Capital Improvements	\$ 848,701.31	\$ 128,776.22	\$ 500,080.00	\$ -	\$ -	\$ 296,523.09	\$ 1,181,034.44
Construction Testing	3,105.18	1.28	-	-	-	-	3,106.46
4050 N Section 19 Regional Storm Lift	(194,266.53)	-	-	-	-	3,370,332.84	(3,564,599.37)
Meadow Ridge Pond Repair Fund	13,701.60	-	-	-	-	-	13,701.60
4051 Goldenwood Pond Expansion	-	-	-	-	-	251,874.36	(251,874.36)
4046 Section 29 (Houkom) Lift	246,203.93	-	-	-	244,203.93	2,000.00	-
4047 Section 20 Maple Ridge Storm	(79,945.12)	-	81,945.12	-	-	2,000.00	-
2216 Veterans Blvd 32nd to 40th	(44,788.30)	-	236,124.21	-	-	191,335.91	-
2220 Veterans Blvd Traffic Signal 23 & 26	(139,025.21)	-	-	204,140.31	22,168.38	42,946.72	-
2219 7th Ave - 17th to 45th Street Impr.	(83,436.86)	-	-	-	-	173,853.65	(257,290.51)
Main Ave Phase 2 NDU-8-010(031)935	(131,218.18)	-	-	-	-	97,586.98	(228,805.16)
1241 Montgomery Homestead Impr	33,219.85	-	-	-	33,219.85	-	-
1242 Christianson's 1st Ph III Impr	-	-	22.00	-	-	22.00	-
1243 Shadow Creed 3rd Impr	33,130.45	-	-	-	28,100.89	5,029.56	-
1244 Improvement District	-	-	100.00	-	-	100.00	-
12th Ave N-45th Str to Cty 19 Impr	(68,712.42)	-	-	-	-	227,372.79	(296,085.21)
1273 Main Ave. Phase III NHU-8-010(032)932	-	-	-	-	-	230,402.69	(230,402.69)
1247 S Pond @ Preserve 6th	(22,103.38)	-	22,103.38	-	-	-	-
1248 River's Bend @ the Preserve	(4,655,152.99)	-	-	6,042,553.19	61,369.21	1,326,030.99	-
1249 Brooks Harbor	(4,641,090.14)	-	-	6,195,658.42	95,828.87	1,458,739.41	-
1251 Eaglewood 2nd	(2,726,198.93)	-	-	3,153,967.80	63,536.92	364,231.95	-
1254 S Pond @ Preserve 7th	2,420.01	-	-	-	2,420.01	-	-
1257 Oakridge 4th	(743,923.71)	-	-	2,108,736.20	-	1,333,513.20	31,299.29
1253 Lagoon Impr Phase I & II	(1,818,621.77)	-	5,219,816.10	-	-	3,401,194.33	-
1258 Brooks Harbor 2nd	(1,302,081.14)	-	-	4,158,375.73	-	2,830,176.68	26,117.91
1259 Shadow Creek 5th	(632,055.67)	-	-	-	-	2,546,399.26	(3,178,454.93)
1262 West Creek 1st	(1,071,660.93)	-	-	1,499,285.41	-	390,054.05	37,570.43
1263 The Wild's 3rd & 4th	(519,383.15)	-	-	3,516,903.38	-	2,957,173.21	40,347.02
Charleswood 31st Addition - W&S	(19,263.17)	-	-	434,764.13	-	400,657.88	14,843.08
1262 Phase II West Creek 1st	(23,625.02)	-	-	554,519.52	-	499,603.92	31,290.58
1261 West Butler	(20,000.00)	-	-	2,522,933.65	-	2,467,162.89	35,770.76
6015 2014 Sidewalk District	-	-	-	-	-	35,125.20	(35,125.20)
1265 Goldenwood 5th (Brentwood)	(1,255,231.35)	-	-	2,500,023.92	-	1,170,076.86	74,715.71
1266 33rd Ave & 6th Street	(37,362.03)	-	-	-	-	316,449.19	(353,811.22)
1268 River's Bend 2nd Addition	-	-	-	-	-	6,530,367.99	(6,530,367.99)
1269 Wild's 6th Additin	-	-	-	-	-	5,971,472.24	(5,971,472.24)
1271 North Pond 4th	-	-	-	-	-	1,847,894.66	(1,847,894.66)
1275 Phase II - Goldenwood 5th Addition	-	-	-	-	-	2,954,568.60	(2,954,568.60)
1276-Christianson's 2nd	-	-	-	-	-	143,488.64	(143,488.64)
1278-Oak Ridge 6th Impr District	-	-	-	-	-	58,918.16	(58,918.16)
1281-Eaglewood 3rd Addition	-	-	-	-	-	693,858.19	(693,858.19)
2157 13th Ave. West	-	-	-	-	-	300.00	(300.00)
2226 Signal 9th Str & 19th Avenue	(316,443.34)	-	-	398,073.61	12,818.86	68,811.41	-
2227-Signal 4th Str & 32nd Ave E	-	-	-	-	-	240.00	(240.00)
2228 9th Street W (23 Ave W-30th A West)	(1,565,647.78)	-	-	1,755,606.67	-	146,208.80	43,750.09
2229-Charleswood Overlay	-	-	-	2,567,191.07	-	2,570,995.49	(3,804.42)
2231 Dakota Territory 5th	(112.34)	-	-	86,484.22	-	80,803.28	5,568.60
2230 Arbor Glen Overlay	-	-	-	510,782.77	-	496,526.77	14,256.00

Continued on next page....

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-14
CONTINUED.....							
Capital Projects Funds (Major):							
2232 4th Str E-38th A E to 40th A E	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,983.07	\$ (750,983.07)
2233-40th Ave E (Shey to Dr 21-Shard w/Fargo)	-	-	-	-	-	54,627.70	(54,627.70)
2234-33rd Ave E to Prairie Hgts Drive	-	-	-	-	-	662.05	(662.05)
2235-2014 Pvmnt Management	-	-	-	-	-	364.78	(364.78)
2236-52nd Avenue Paving	-	-	-	-	-	501.93	(501.93)
2333-Ph II-32nd Ave Shey to Veterans	-	-	-	-	-	1,209.00	(1,209.00)
2237-Sommerset Str Impr	-	-	-	-	-	679.84	(679.84)
2238-Rendezvous Park Overlays	-	-	-	-	-	127.00	(127.00)
7073 Str Ligh 13 A (Shey-17th) 8992(035)035	(63,102.66)	-	-	-	-	33,957.08	(97,059.74)
Fiber Optic Plan	(69,759.41)	-	-	-	-	367,149.59	(436,909.00)
4044 Storm Water Section 19	(157,834.45)	-	159,834.45	-	-	2,000.00	-
Total Capital Projects Funds	\$(21,221,563.65)	\$ 128,777.50	\$ 6,220,025.26	\$38,210,000.00	\$ 563,666.92	\$49,164,685.88	\$(26,391,113.69)
Total Governmental Funds	\$ 28,269,431.76	\$40,851,471.46	\$11,897,506.26	\$38,210,000.00	\$12,511,930.26	\$84,845,137.73	\$ 21,871,341.49
Enterprise Funds:							
Sewer and Water Operating	\$ 4,156,494.04	\$ 5,380,882.11	\$ -	\$ -	\$ -	\$ 4,552,060.54	\$ 4,985,315.61
City Utility	229,585.13	244,547.76	-	-	-	162,008.21	312,124.68
Repl & Deprec. SWOP	30,000.00	-	-	-	-	-	30,000.00
Sewage Surcharge	271,869.70	8,392.85	-	-	-	-	280,262.55
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	1,376,963.92	4,273.94	614,484.00	-	-	97,944.00	1,897,777.86
1208 Water Treatment Plant	(336,921.50)	-	-	-	-	23,075.36	(359,996.86)
1274 Well #7 Replacement (New #16)	-	-	-	-	-	328,642.61	(328,642.61)
WP-Well # 9 & #12 Rehabilitation	(324,700.46)	-	-	-	-	31,931.94	(356,632.40)
Well #14 Construction	(2,667.60)	-	-	-	-	937,625.02	(940,292.62)
Well Impr. #10 Tintes	-	351.54	-	-	-	91,906.75	(91,555.21)
Total Sewer and Water	\$ 6,667,929.71	\$ 5,638,448.20	\$ 614,484.00	\$ -	\$ -	\$ 6,225,194.43	\$ 6,695,667.48
Health and Sanitation Operating	\$ 1,513,042.72	\$ 2,803,390.32	\$ -	\$ -	\$ 60.00	\$ 2,647,840.50	\$ 1,668,532.54
Sanitation Recycling Fund	-	236,710.00	-	-	-	2,383.29	234,326.71
Total Health and Sanitation	\$ 1,513,042.72	\$ 3,040,100.32	\$ -	\$ -	\$ 60.00	\$ 2,650,223.79	\$ 1,902,859.25
Total Enterprise Funds	\$ 8,180,972.43	\$ 8,678,548.52	\$ 614,484.00	\$ -	\$ 60.00	\$ 8,875,418.22	\$ 8,598,526.73
Total Govt. & Enterprise Funds	\$ 36,450,404.19	\$49,530,019.98	\$12,511,990.26	\$38,210,000.00	\$12,511,990.26	\$93,720,555.95	\$ 30,469,868.22
Agency Funds:							
Park	\$ -	\$ 1,384,835.15	\$ -	\$ -	\$ -	\$ 1,501,789.47	\$ (116,954.32)
2003-1 Special Assessment	-	6,724.37	-	-	-	8,263.08	(1,538.71)
Shadowwood Pk Sp.2010	-	23,922.63	-	-	-	27,856.34	(3,933.71)
2011 Maple Ridge Park Special Assmts	-	22,853.95	-	-	-	27,625.67	(4,771.72)
2011-1 Park Impr District	-	217,813.71	-	-	-	236,858.74	(19,045.03)
Park Sp Assmt 2007-1	-	13,261.82	-	-	-	16,604.45	(3,342.63)
Community Dev. Block Grant	1,921.11	0.80	-	-	-	-	1,921.91
Tree Planting	316,940.44	81,592.26	-	-	-	47,980.00	350,552.70
Marvin Windows Escrow Sp Assmts	170,658.00	-	-	-	-	-	170,658.00
Marcil Job Training Loan	17,052.00	7,769.03	-	-	-	24,821.03	-
Titan Job Training Grant 5%	2,003.75	71,460.00	-	-	-	67,887.00	5,576.75
Energy Grant	15,800.00	-	-	-	-	-	15,800.00
WSI Grant	-	39,999.48	-	-	-	39,999.48	-
Downtown Business Association	6,000.00	2,300.00	-	-	-	730.86	7,569.14
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	\$ 686,542.37	\$ 1,872,533.20	\$ -	\$ -	\$ -	\$ 2,000,416.12	\$ 558,659.45
Total Primary Government	\$ 37,136,946.56	\$51,402,553.18	\$12,511,990.26	\$38,210,000.00	\$12,511,990.26	\$95,720,972.07	\$ 31,028,527.67
Total Reporting Entity	\$ 37,136,946.56	\$51,402,553.18	\$12,511,990.26	\$38,210,000.00	\$12,511,990.26	\$95,720,972.07	\$ 31,028,527.67

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



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

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

Independent Auditor's Report

City Commission
City of West Fargo
West Fargo, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo as of and for the year ended December 31, 2014, 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, 2015.

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.

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

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

CITY OF WEST FARGO

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

Compliance and Other Matters

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

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, 2015

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

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

Internal Control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ X No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ X None noted
Noncompliance material to financial statements noted?	_____ Yes	_____ X None noted

Section II - Financial Statement Findings

No matters were reported.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



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

City Commissioners
City of West Fargo
West Fargo, North Dakota

We have audited 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, North Dakota for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 5, 2015. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated June 24, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of West Fargo's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City of West Fargo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of West Fargo are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the City of West Fargo during the year ended December 31, 2014 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

DISAGREEMENTS WITH MANAGEMENT

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated August 5, 2015.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

This information is intended solely for the use of the City Commission and management of the City of West Fargo and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the City of West Fargo for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the City of West Fargo.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 5, 2015

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Division of State Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2241