

**OFFICE OF  
STATE AUDITOR**

**AUDIT REPORT**

**CITY OF WEST FARGO  
WEST FARGO, NORTH DAKOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2013**



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CITY OF WEST FARGO  
West Fargo, North Dakota

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For the Year Ended December 31, 2013

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CITY OF WEST FARGO  
West Fargo, North Dakota

**CITY OFFICIALS**

December 31, 2013

|                          |                     |
|--------------------------|---------------------|
| President / Mayor        | Rich Mattern        |
| Vice-President           | Mark Simmons        |
| Commissioner             | Mark Wentz          |
| Commissioner             | Mike Thorstad       |
| Commissioner             | Duane Hanson        |
| City Administrator       | Jim Brownlee        |
| Finance Director         | Tina Gustafson      |
| Police Chief             | Arland Rasumussen   |
| Public Works Director    | Chris Brungardt     |
| Planning Director        | Larry Weil          |
| Human Resources Director | Carmen R. Schroeder |
| City Attorney            | Brian Neugebauer    |

Current

|                          |                     |
|--------------------------|---------------------|
| 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 R. Schroeder |
| City Attorney            | John Schockley      |

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
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FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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**INDEPENDENT AUDITOR'S REPORT**

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City Commission  
City of West Fargo  
West Fargo, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of and for the year ended December 31, 2013, 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, 2013, 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 4-13 and 44-45 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 July 30, 2014, 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  
July 30, 2014

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CITY OF WEST FARGO  
West Fargo, North Dakota  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013

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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, 2013. 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 (\$196,280), made up of changes to capital assets, reclassification of component units, Airport and Library, to non-major funds, and removal of Park Fund receivable balance. Enterprise activities \$7,860 net increase, made up of water/sewer fund corrections to capital equipment and infrastructure.
- The total net position of governmental activities of the City of West Fargo decreased by (\$239,633) as a result of current year operations, or approximately .3%.
- Net position of the business-type activities increased by \$16,331,553 or approximately 10%. The increase is due to a transfer of capital assets from the governmental activities totaling \$20,529,176.
- Total revenues from all sources were \$44,976,911 for governmental activities on the statement of activities and \$42,384,060 on the modified accrual basis. Total revenues from all sources were \$7,993,169 for business-type activities.
- Total cost of all programs was \$36,878,161 consisting of \$24,153,867 for governmental activities and \$12,724,294 for business-type activities. This is a total increase of \$4.2 million for governmental activities and an increase of less than \$1 million for enterprise business-type activities over 2013.
- Governmental net capital assets totaled \$99,039,741 at December 31, 2013, and business-type capital assets totaled \$192,346,657 for an entity-wide total of \$291,386,398.
- Governmental expenditures exceeded revenues by \$27,162,048 in the fund-based statements due to spending approximately \$37.27 million on infrastructure projects construction in progress. Governmental activities expenses exceeded revenue by \$239,633 (after transfers to enterprise activities).
- Unassigned fund balance for the General Fund at year-end was \$13,178,520 or 148% of the total 2013 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.

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## CITY OF WEST FARGO

### Management's Discussion & Analysis - Continued

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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 &amp; 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, 2013. 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 \$267,781,671 at the close of the most recent fiscal year consisting of \$83,376,904 for governmental activities, and \$184,404,767 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 1**  
**NET POSITION – GOVERNMENTAL ACTIVITIES**  
December 31, 2013 and 2012 (as restated)

|  | 12-31-13             | 12-31-12             |
|--|----------------------|----------------------|
| <b>ASSETS:</b>                                   |                      |                      |
| Current Assets                                   | \$ 29,827,912        | \$ 27,266,074        |
| LT Uncertified Spec. Assmts. Rec. (Noncurrent)   | 121,590,140          | 118,806,034          |
| Capital Assets (net of accumulated depreciation) | 99,039,741           | 88,104,610           |
| Total Assets                                     | <u>\$250,457,793</u> | <u>\$234,176,718</u> |
| <b>LIABILITIES:</b>                              |                      |                      |
| Current Liabilities                              | \$ 17,766,726        | \$ 17,001,130        |
| Long-Term Liabilities                            | 149,314,163          | 133,559,051          |
| Total Liabilities                                | <u>\$167,080,889</u> | <u>\$150,560,181</u> |
| <b>NET POSITION:</b>                             |                      |                      |
| Net Investment in Capital Assets                 | \$ 58,424,881        | \$ 58,985,644        |
| Restricted                                       | 34,789,736           | 30,753,922           |
| Unrestricted                                     | (9,837,713)          | (6,123,029)          |
| Total Net Position                               | <u>\$ 83,376,904</u> | <u>\$ 83,616,537</u> |

**CITY OF WEST FARGO**

Management's Discussion &amp; Analysis - Continued

**TABLE 1**  
**NET POSITION – BUSINESS-TYPE ACTIVITIES**  
 December 31, 2013 and 2012 (as restated)

|   | 12-31-13             | 12-31-12             |
|---|----------------------|----------------------|
| <b>ASSETS:</b>  |                      |                      |
| Current Assets  | \$ 8,211,271         | \$ 7,969,725         |
| Capital Assets (net of accumulated depreciation)      | 192,346,657          | 176,832,338          |
| Total Assets  | <u>\$200,557,928</u> | <u>\$184,802,063</u> |
| <b>LIABILITIES:</b>                                   |                      |                      |
| Current Liabilities                                   | \$ 753,196           | \$ 718,893           |
| Long-Term Liabilities                                 | 15,399,965           | 16,009,956           |
| Total Liabilities                                     | <u>\$ 16,153,161</u> | <u>\$ 16,728,849</u> |
| <b>NET POSITION:</b>                                  |                      |                      |
| Net Investment in Capital Assets, net of related debt | \$176,706,657        | \$160,637,338        |
| Unrestricted  | 7,698,110            | 7,435,876            |
| Total Net Position                                    | <u>\$184,404,767</u> | <u>\$168,073,214</u> |

**TABLE 1**  
**NET POSITION – TOTALS (as restated)**  
 December 31, 2013

|  | Governmental<br>Activities | Enterprise           | Totals               |
|--|----------------------------|----------------------|----------------------|
| <b>ASSETS:</b>                                   |                            |                      |                      |
| 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                                     | <u>\$250,457,793</u>       | <u>\$200,557,928</u> | <u>\$451,015,721</u> |
| <b>LIABILITIES:</b>                              |                            |                      |                      |
| Current Liabilities                              | \$ 17,766,726              | \$ 753,196           | \$ 18,519,922        |
| Long-Term Liabilities                            | 149,314,163                | 15,399,965           | 164,714,128          |
| Total Liabilities                                | <u>\$167,080,889</u>       | <u>\$ 16,153,161</u> | <u>\$183,234,050</u> |
| <b>NET POSITION:</b>                             |                            |                      |                      |
| 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                               | <u>\$ 83,376,904</u>       | <u>\$184,404,767</u> | <u>\$267,781,671</u> |

**CITY OF WEST FARGO**

Management's Discussion & Analysis - Continued

**TABLE 1**  
**NET POSITION – TOTALS (as restated)**  
December 31, 2012

|  | Governmental<br>Activities | Enterprise           | Totals               |
|--|----------------------------|----------------------|----------------------|
| <b>ASSETS:</b>                                   |                            |                      |                      |
| Current Assets                                   | \$ 27,266,074              | \$ 7,969,725         | \$ 35,235,799        |
| LT Uncertified Spec. Assmts. Rec. (Noncurrent)   | 118,806,034                | -                    | 118,806,034          |
| Capital Assets (net of accumulated depreciation) | 88,104,610                 | 176,832,338          | 264,936,948          |
| Total Assets                                     | <u>\$234,176,718</u>       | <u>\$184,802,063</u> | <u>\$418,978,781</u> |
| <b>LIABILITIES:</b>                              |                            |                      |                      |
| Current Liabilities                              | \$ 17,001,130              | \$ 718,893           | \$ 17,720,023        |
| Long-Term Liabilities                            | 133,559,051                | 16,009,956           | 149,569,007          |
| Total Liabilities                                | <u>\$150,560,181</u>       | <u>\$ 16,728,849</u> | <u>\$167,289,030</u> |
| <b>NET POSITION:</b>                             |                            |                      |                      |
| Invested in Capital Assets                       | \$ 58,985,644              | \$160,637,338        | \$219,622,982        |
| Restricted                                       | 30,753,922                 | -                    | 30,753,922           |
| Unrestricted                                     | (6,123,029)                | 7,435,876            | 1,312,847            |
| Total Net Position                               | <u>\$ 83,616,537</u>       | <u>\$168,073,214</u> | <u>\$251,689,751</u> |

**TABLE II**  
**CHANGES IN NET POSITION**  
As of December 31, 2013

|   | Governmental<br>Activities | Enterprise            | Total                |
|---|----------------------------|-----------------------|----------------------|
| <b>Revenues</b>                           |                            |                       |                      |
| <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                            | <u>\$ 44,976,911</u>       | <u>\$ 7,993,169</u>   | <u>\$ 52,970,080</u> |
| <b>Expenses</b>                           |                            |                       |                      |
| 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                            | <u>\$ 24,153,867</u>       | <u>\$ 12,724,294</u>  | <u>\$ 36,878,161</u> |
| Change in Net Position (before transfers) | <u>\$ 20,823,044</u>       | <u>\$ (4,731,125)</u> | <u>\$ 16,091,919</u> |
| Net Transfers                             | <u>\$(21,062,677)</u>      | <u>\$ 21,062,678</u>  | <u>\$ 1</u>          |
| Change in Net Position                    | <u>\$ (239,633)</u>        | <u>\$ 16,331,553</u>  | <u>\$ 16,091,920</u> |
| 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     | <u>\$ 83,616,537</u>       | <u>\$168,073,214</u>  | <u>\$251,689,751</u> |
| Net Position – December 31                | <u>\$ 83,376,904</u>       | <u>\$184,404,767</u>  | <u>\$267,781,671</u> |

**CITY OF WEST FARGO**

Management's Discussion & Analysis - Continued

**TABLE II  
CHANGES IN NET POSITION**

As of December 31, 2012

|   | Governmental<br>Activities | Enterprise     | Total          |
|---|----------------------------|----------------|----------------|
| <b>Revenues</b>                           |                            |                |                |
| <u>Program Revenues:</u>                  |                            |                |                |
| Charges for Services                      | \$ 4,082,072               | \$ 8,294,163   | \$ 12,376,235  |
| Operating Grants & Contributions          | 2,834,419                  | -              | 2,834,419      |
| Capital Grants & Contributions            | 58,935,335                 | -              | 58,935,335     |
| <u>General Revenues:</u>                  |                            |                |                |
| Total Taxes                               | 10,975,891                 | -              | 10,975,891     |
| Non restricted Grants & Contributions     | 2,801,799                  | -              | 2,801,799      |
| Unrestricted Investment Earnings          | 921,825                    | 11,995         | 933,820        |
| Miscellaneous Revenue                     | 953,918                    | 275,786        | 1,229,704      |
| Premiums/Discounts                        | -                          | 154,190        | 154,190        |
| Total Revenues                            | \$ 81,505,259              | \$ 8,736,134   | \$ 90,241,393  |
| <b>Expenses</b>                           |                            |                |                |
| General Government                        | \$ 2,679,151               | \$ -           | \$ 2,679,151   |
| Public Safety                             | 5,725,264                  | -              | 5,725,264      |
| Highways and Streets                      | 5,341,210                  | -              | 5,341,210      |
| Culture and Recreation                    | 2,004,381                  | -              | 2,004,381      |
| Economic Development                      | 74,928                     | -              | 74,928         |
| Interest and Service Charges              | 4,105,963                  | 927,536        | 5,033,499      |
| Water and Sewer                           | -                          | 8,434,339      | 8,434,339      |
| Garbage & Sanitation                      | -                          | 2,468,319      | 2,468,319      |
| Total Expenses                            | \$ 19,930,897              | \$ 11,830,194  | \$ 31,761,091  |
| Change in Net Position (before transfers) | \$ 61,574,362              | \$ (3,094,060) | \$ 58,480,302  |
| Transfers                                 | \$(40,134,982)             | \$ 40,134,982  | \$ -           |
| Change in Net Position                    | \$ 21,439,380              | \$ 37,040,922  | \$ 58,480,302  |
| Net Position – January 1                  | \$ 62,070,696              | \$ 138,061,437 | \$ 200,132,133 |
| Prior Period Adjustment                   | 302,741                    | (7,037,005)    | (6,734,264)    |
| Net Position – January 1, as restated     | \$ 62,373,437              | \$ 131,024,432 | \$ 193,397,869 |
| Net Position – December 31                | \$ 83,812,817              | \$ 168,065,354 | \$ 251,878,171 |

A portion of the City of West Fargo's governmental activities net position totaling \$34,789,736 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 invested in capital assets net of related debt amounted to a net positive balance of \$235,131,538 (governmental activities of \$58,424,881 & business type activities positive total of \$176,706,657). These net position invested in capital assets net of related debt 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 (\$2,139,603) 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 \$7,698,110 and the governmental activities was negative (\$9,837,713). At the end of the 2013, 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 \$16.1 million (6.4%) for the year ended December 31, 2013. The main reason for the increase was \$20.59 million of transfers of infrastructure/construction in progress from governmental activities to business-type activities for completed projects, increase in operating grants and contributions of \$831,506 and approximately \$29.53 million in new long-term uncertified special assessments receivable. Governmental program revenues for capital grants and contributions decreased by \$37.5 million (due to the addition of less long-term debt for 2013).

**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 \$13,178,520. The remainder of unassigned fund balances is negative (\$22,877,521) for large negative cash amounts primarily reported in capital projects funds, and a couple non-major special revenue 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 \$27,729,096. \$1,706,114 of fund balance has been reported as non-spendable for the loan receivable reported in the general fund, debt service fund, economic development fund, and for prepaid expense in the building fund. The remainder of fund balances (other than unassigned) totaling \$35,721,983 *is restricted or committed* to indicate that it is not available for new spending because it has already been restricted for general government (\$346,651), public safety (\$112,530), public works/streets (\$1,742,140), culture & recreation (\$420,944), airport authority (moved from component unit and reported as other \$185,527), and committed from sales tax revenues (\$5,142,511) and for future building (\$8,196,511), and to pay debt service (\$19,576,169) 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 \$13,178,520. Unassigned fund balance represented 148% of total 2013 general fund expenditures.

The fund balance of the City of West Fargo's general fund increased \$2.20 million during the current fiscal year. The general fund balance increase was due to transfers in of \$2,549,394 from construction funds for administration and from the municipal highway fund. Total fund balances increased by \$2.26 million (consisting of total change due to activities of \$1,874,340, and \$388,001 due to prior period adjustments), primarily due increases in intergovernmental revenue.

The fund balance of the sales tax fund increased by \$637,696 due to an increase in sales tax revenues, and a decrease in transfers out to capital projects funds and debt service funds. The ending fund balance of the sales tax fund was \$5,142,511.

The debt service fund has a total ending fund balance of \$21,176,169, all of which is restricted for the payment of debt service (\$19,576,179), 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.

## CITY OF WEST FARGO

### Management's Discussion & Analysis - Continued

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Unrestricted net position of the Health and Sanitation Fund totaled \$1,416,480 for Health and Sanitation Funds, and \$6,281,630 for Water and Sewer Funds for a total of \$7,698,110. Unrestricted net position increased by \$262,234 primarily due to decreases in transfers out and interest and fees paid on capital debt. Net investment in capital assets was \$1,947,641 for the Health & Sanitation Fund and \$174,759,016 in the Water & Sewer Fund for a total of \$176,706,657. The net total overall growth in net position for these funds was \$16,331,553. The entirety of this increase is attributable to a transfer of capital assets from governmental activities of over \$20.5 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, 2013.

- Revenue was more than expected amounts by \$1,714,330 (21.88%). Transfers in totaled \$2,549,394, while the budgeted transfers were \$1,610,000.
- Expenditures were below appropriations by \$205,646 in the general fund, or 2.26% after budget amendment increases totaling \$61,128. The amended transfers out budget \$1,335,000, while actual transfers out totaled \$1,014,000.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

The City of West Fargo's investment in capital assets for its governmental (\$99,039,741) and business-type (\$192,346,657) activities as of December 31, 2013, amounted to \$291,386,398 (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 \$10.9 million for governmental activities, or 12.41% from 2012 ending amounts. This is an increase of \$15.5 million for business-type activities, or 8.77% from 2012 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 Veteran's Avenue from I-94 to 40<sup>th</sup> Avenue.

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**TABLE III**  
**CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES (as restated for 2012)**  
(Net of Accumulated Depreciation)  
December 31, 2013 and 2012 (as restated)

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|  | 12-31-13            | 12-31-12            |
|--|---------------------|---------------------|
| Land   | \$ 7,862,632        | \$ 7,862,632        |
| Construction in Progress                               | 24,658,618          | 18,075,495          |
| Land Improvements                                      | 12,318              | 12,775              |
| Buildings  | 1,359,875           | 1,404,890           |
| Equipment  | 1,555,426           | 1,545,222           |
| Infrastructure   | 63,590,872          | 59,203,600          |
| Total Capital Assets (net of accumulated depreciation) | <u>\$99,039,741</u> | <u>\$88,104,614</u> |

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**CITY OF WEST FARGO**

## Management's Discussion &amp; Analysis - Continued

**TABLE III**  
**CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES (as restated for 2012)**  
 (Net of Accumulated Depreciation)  
 December 31, 2013 and 2012 (as restated)

|  | 12-31-13             | 12-31-12             |
|--|----------------------|----------------------|
| Land   | \$ 835,634           | \$ 774,500           |
| Buildings  | 2,110,518            | 2,157,959            |
| Equipment  | 1,851,747            | 1,823,305            |
| Infrastructure   | 187,548,758          | 172,076,574          |
| Total Capital Assets (net of accumulated depreciation) | <u>\$192,346,657</u> | <u>\$176,832,338</u> |

**Long-Term Debt**

At year-end the City had total debt in governmental activities and enterprise activities of \$177,845,000 (excluding compensated absences), a net overall increase of \$13,725,000 (8.3%) 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 \$29,530,000. This debt was issued for various special assessment capital construction projects.

During the year ended December 31, 2013, the City's bond rating is at Aa 3.

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

|                                  | Total<br>Outstanding<br>Dec. 31, 2012 | Increases           | Decreases           | Total<br>Outstanding<br>Dec. 31, 2013 | Due Within<br>One Year |
|----------------------------------|---------------------------------------|---------------------|---------------------|---------------------------------------|------------------------|
| <b>Governmental Activities:</b>  |                                       |                     |                     |                                       |                        |
| G.O. Bonds Payable               | \$ 9,065,000                          | \$ -                | \$ 640,000          | \$ 8,425,000                          | \$ 650,000             |
| Revenue Bonds (Sales Tax)        | 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    | <u>\$148,907,280</u>                  | <u>\$29,624,567</u> | <u>\$15,250,000</u> | <u>\$163,281,847</u>                  | <u>\$13,967,684</u>    |
| <b>Business-Type Activities:</b> |                                       |                     |                     |                                       |                        |
| Revenue 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   | <u>\$ 16,606,061</u>                  | <u>\$ -</u>         | <u>599,433</u>      | <u>\$ 16,006,628</u>                  | <u>\$ 606,663</u>      |
| Total Long-Term Debt             | <u>\$165,513,341</u>                  | <u>\$29,624,567</u> | <u>\$15,849,433</u> | <u>\$179,288,475</u>                  | <u>\$14,574,347</u>    |

**TABLE IV**  
**OUTSTANDING LONG-TERM DEBT**  
 As of December 31, 2012

|                                       | Total                |                     |                     | Total                |                     |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
|                                       | Outstanding          | Increases           | Decreases           | Outstanding          | Due Within          |
|                                       | Dec. 31, 2011        |                     |                     | Dec. 31, 2012        | One Year            |
| <b>Governmental Activities:</b>       |                      |                     |                     |                      |                     |
| G.O. Bonds Payable                    | \$ 9,825,000         | \$ -                | \$ 760,000          | \$ 9,065,000         | \$ 640,000          |
| Revenue Bonds                         | -                    | 2,060,000           | -                   | 2,060,000            | 40,000              |
| Special Assessment Bonds              | 92,654,000           | 69,170,000          | 26,034,000          | 135,790,000          | 14,530,000          |
| TIF Bonds                             | 1,050,000            | -                   | 40,000              | 1,010,000            | 40,000              |
| Compensated Absences                  | 978,422              | 6,065               | 2,207               | 982,280              | 98,228              |
| <b>Total Governmental Activities</b>  | <b>\$104,507,422</b> | <b>\$71,236,065</b> | <b>\$26,836,207</b> | <b>\$148,907,280</b> | <b>\$15,348,228</b> |
| <b>Business-Type Activities:</b>      |                      |                     |                     |                      |                     |
| Revenue Bonds                         | \$ 16,700,000        | \$ 9,145,000        | \$ 9,650,000        | \$ 16,195,000        | \$ 555,000          |
| Compensated Absences                  | 410,546              | 515                 | -                   | 411,061              | 41,106              |
| <b>Total Business-Type Activities</b> | <b>\$ 17,110,546</b> | <b>\$ 9,145,515</b> | <b>9,650,000</b>    | <b>\$ 16,606,061</b> | <b>\$ 596,106</b>   |
| <b>Total Long-Term Debt</b>           | <b>\$121,617,968</b> | <b>\$80,381,580</b> | <b>\$36,486,207</b> | <b>\$165,513,341</b> | <b>\$15,944,334</b> |

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Projects in 2013 that boosted the economy in West Fargo included the addition of \$36,000,000 in various street, water and sewer, storm sewer, street lighting projects in various new subdivisions of the city. Also the city issued 443 single family building permits in 2013 along with 44 townhome and 324 apartment units and 24 new construction Commercial permits. The City anticipated that the level on new construction will increase in 2014. The value of a mill for the City is expected to increase from \$88,770 to \$98,510 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 4<sup>th</sup> Ave. E., West Fargo, ND 58078 or visit us online at [www.westfargond.gov](http://www.westfargond.gov).

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF NET POSITION  
December 31, 2013

|  | Primary Government         |                             |                       |
|--|----------------------------|-----------------------------|-----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>ASSETS:</b>                                 |                            |                             |                       |
| Cash and investments                           | \$ 26,148,323              | \$ 7,634,504                | \$ 33,782,827         |
| Accounts receivable                            | 522,528                    | 576,767                     | 1,099,295             |
| Intergovernmental receivable                   | 1,109,640                  | -                           | 1,109,640             |
| Prepaid expenses                               | 19,000                     | -                           | 19,000                |
| Loan receivable                                | 1,687,114                  | -                           | 1,687,114             |
| Taxes receivable                               | 85,625                     | -                           | 85,625                |
| Special assessments receivable - current       | 255,682                    | -                           | 255,682               |
| Long-Term Receivable:                          |                            |                             |                       |
| Long-term special assessments receivable       | 121,590,140                | -                           | 121,590,140           |
| Capital Assets not being depreciated:          |                            |                             |                       |
| Land   | 7,862,632                  | 835,634                     | 8,698,266             |
| Construction in progress                       | 24,658,618                 | -                           | 24,658,618            |
| Capital Assets being depreciated:              |                            |                             |                       |
| Improvements to land                           | 12,318                     | -                           | 12,318                |
| Buildings                                      | 1,359,875                  | 2,110,518                   | 3,470,393             |
| Equipment                                      | 1,555,426                  | 1,851,747                   | 3,407,173             |
| Infrastructure                                 | 63,590,872                 | 187,548,758                 | 251,139,630           |
| Total Capital Assets                           | <u>\$ 99,039,741</u>       | <u>\$ 192,346,657</u>       | <u>\$ 291,386,398</u> |
| Total Assets                                   | <u>\$ 250,457,793</u>      | <u>\$ 200,557,928</u>       | <u>\$ 451,015,721</u> |
| <b>LIABILITIES:</b>                            |                            |                             |                       |
| <b>Current Liabilities:</b>                    |                            |                             |                       |
| Accounts payable                               | \$ 1,688,491               | \$ 30,300                   | \$ 1,718,791          |
| Salaries & benefits payable                    | 69,018                     | -                           | 69,018                |
| Retainages payable                             | 1,221,765                  | -                           | 1,221,765             |
| Interest payable                               | 819,768                    | 116,233                     | 936,001               |
| <b>Long-Term Liabilities:</b>                  |                            |                             |                       |
| <b>Portion Due or Payable Within One Year:</b> |                            |                             |                       |
| Bonds payable                                  | 13,860,000                 | 570,000                     | 14,430,000            |
| Compensated absences                           | 107,684                    | 36,663                      | 144,347               |
| <b>Portion Due or Payable After One Year:</b>  |                            |                             |                       |
| Bonds payable                                  | 148,345,000                | 15,070,000                  | 163,415,000           |
| Compensated absences                           | 969,163                    | 329,965                     | 1,299,128             |
| Total Liabilities                              | <u>\$ 167,080,889</u>      | <u>\$ 16,153,161</u>        | <u>\$ 183,234,050</u> |
| <b>NET POSITION:</b>                           |                            |                             |                       |
| Net investment in capital assets               | \$ 58,424,881              | \$ 176,706,657              | \$ 235,131,538        |
| Restricted for:                                |                            |                             |                       |
| General government                             | 371,586                    | -                           | 371,586               |
| Public safety                                  | 7,636,567                  | -                           | 7,636,567             |
| Public works/streets                           | 389,086                    | -                           | 389,086               |
| Culture & recreation                           | 364,507                    | -                           | 364,507               |
| Other special purposes                         | 185,831                    | -                           | 185,831               |
| Building/capital projects                      | 5,142,511                  | -                           | 5,142,511             |
| Debt service                                   | 19,012,534                 | -                           | 19,012,534            |
| Loans  | 1,687,114                  | -                           | 1,687,114             |
| Unrestricted                                   | <u>(9,837,713)</u>         | <u>7,698,110</u>            | <u>(2,139,603)</u>    |
| Total Net Position                             | <u>\$ 83,376,904</u>       | <u>\$ 184,404,767</u>       | <u>\$ 267,781,671</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, 2013

| Functions/Programs                                   | Expenses             | Program Revenues                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                       |
|--|----------------------|---------------------------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
|  |                      | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                 |
| <b>Primary Government:</b>                           |                      |                                       |                                    |                                  |   |                          |                       |
| <b>Governmental Activities:</b>                      |                      |                                       |                                    |                                  |   |                          |                       |
| General government                                   | \$ 2,674,934         | \$ 933,613                            | \$ 46,563                          | \$ -                             | \$ (1,694,758)                                    |                          | \$ (1,694,758)        |
| Public safety  | 5,989,875            | 764,901                               | 461,755                            | -                                | (4,763,219)                                       |                          | (4,763,219)           |
| Public works/streets                                 | 8,967,171            | 375,179                               | 3,130,571                          | 21,452,116                       | 15,990,695  |                          | 15,990,695            |
| Economic development                                 | 42,145               | -                                     | 22,500                             | -                                | (19,645)  |                          | (19,645)              |
| Culture and recreation                               | 800,051              | 20,552                                | 4,536                              | -                                | (774,963)   |                          | (774,963)             |
| Miscellaneous/other                                  | 152,341              | -                                     | -                                  | -                                | (152,341)   |                          | (152,341)             |
| Special assessments                                  | 262,554              | -                                     | -                                  | -                                | (262,554)   |                          | (262,554)             |
| Interest & costs on long-term debt                   | 4,918,636            | -                                     | -                                  | -                                | (4,918,636)                                       |                          |                       |
| Bond issuance costs                                  | 346,160              | -                                     | -                                  | -                                | (346,160)   |                          | (346,160)             |
| <b>Total Governmental Activities</b>                 | <b>\$ 24,153,867</b> | <b>\$ 2,094,245</b>                   | <b>\$ 3,665,925</b>                | <b>\$ 21,452,116</b>             | <b>\$ 3,058,419</b>                               |                          | <b>\$ 7,977,055</b>   |
| <b>Business-Type Activities:</b>                     |                      |                                       |                                    |                                  |   |                          |                       |
| Water and sewer                                      | \$ 10,153,399        | \$ 5,321,322                          | \$ -                               | \$ -                             | \$ -  | \$ (4,832,077)           | \$ (4,832,077)        |
| Health and sanitation                                | 2,570,895            | 2,602,496                             | -                                  | -                                | -   | 31,601                   | 31,601                |
| <b>Total Business-Type Activities</b>                | <b>\$ 12,724,294</b> | <b>\$ 7,923,818</b>                   | <b>\$ -</b>                        | <b>\$ -</b>                      | <b>\$ -</b>                                       | <b>\$ (4,800,476)</b>    | <b>\$ (4,800,476)</b> |
| <b>Total Primary Government</b>                      | <b>\$ 36,878,161</b> | <b>\$ 10,018,063</b>                  | <b>\$ 3,665,925</b>                | <b>\$ 21,452,116</b>             | <b>\$ 3,058,419</b>                               | <b>\$ (4,800,476)</b>    | <b>\$ 3,176,579</b>   |
| <b>General Revenues:</b>                             |                      |                                       |                                    |                                  |   |                          |                       |
| <b>Taxes:</b>  |                      |                                       |                                    |                                  |   |                          |                       |
| Property taxes, levied for general purposes          |                      |                                       |                                    |                                  | \$ 5,167,433                                      | \$ -                     | \$ 5,167,433          |
| Property taxes, levied for debt service              |                      |                                       |                                    |                                  | 933,510   | -                        | 933,510               |
| Property taxes, levied for special purposes          |                      |                                       |                                    |                                  | 1,738,421   | -                        | 1,738,421             |
| Sales taxes  |                      |                                       |                                    |                                  | 3,786,905   | -                        | 3,786,905             |
| State aid distribution & other unrestricted revenues |                      |                                       |                                    |                                  | 2,102,752   | -                        | 2,102,752             |
| Unrestricted investment interest earnings            |                      |                                       |                                    |                                  | 75,204  | 12,578                   | 87,782                |
| Miscellaneous income                                 |                      |                                       |                                    |                                  | 3,960,400   | 56,773                   | 4,017,173             |
| Transfers  |                      |                                       |                                    |                                  | (21,062,677)                                      | 21,062,678               | -                     |
| <b>Total General Revenues and Transfers</b>          |                      |                                       |                                    |                                  | <b>\$ (3,298,052)</b>                             | <b>\$ 21,132,029</b>     | <b>\$ 17,833,976</b>  |
| <b>Change in Net Position</b>                        |                      |                                       |                                    |                                  | <b>\$ (239,633)</b>                               | <b>\$ 16,331,553</b>     | <b>\$ 16,091,920</b>  |
| <b>Net Position - January 1</b>                      |                      |                                       |                                    |                                  | <b>\$ 83,812,817</b>                              | <b>\$ 168,065,354</b>    | <b>\$ 251,878,171</b> |
| <b>Prior Period Adjustments</b>                      |                      |                                       |                                    |                                  | <b>(196,280)</b>                                  | <b>7,860</b>             | <b>(188,420)</b>      |
| <b>Net Position - January 1, as restated</b>         |                      |                                       |                                    |                                  | <b>\$ 83,616,537</b>                              | <b>\$ 168,073,214</b>    | <b>\$ 251,689,751</b> |
| <b>Net Position - December 31</b>                    |                      |                                       |                                    |                                  | <b>\$ 83,376,904</b>                              | <b>\$ 184,404,767</b>    | <b>\$ 267,781,671</b> |

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

CITY OF WEST FARGO  
West Fargo, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2013

|  | General<br>Fund      | Sales<br>Tax<br>Fund | Debt<br>Service<br>Funds | Capital<br>Projects<br>Funds | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|--------------------------|------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                      |                          |                              |                                |                                |
| Cash and investments                                 | \$ 12,623,803        | \$ 2,726,226         | \$ -                     | \$ -                         | \$ 10,798,294                  | \$ 26,148,323                  |
| Accounts receivable                                  | 130,516              | -                    | -                        | 373,483                      | 18,529                         | 522,528                        |
| Intergovernmental receivable                         | 514,490              | 397,408              | -                        | -                            | 197,742                        | 1,109,640                      |
| Loan receivable                                      | 11,289               | -                    | 1,600,000                | -                            | 75,825                         | 1,687,114                      |
| Taxes receivable                                     | 62,620               | -                    | 451                      | -                            | 22,554                         | 85,625                         |
| Prepaid expense                                      | -                    | -                    | -                        | -                            | 19,000                         | 19,000                         |
| Special assessments receivable - current             | -                    | -                    | 255,682                  | -                            | -                              | 255,682                        |
| Special assessments receivable - deferred            | -                    | -                    | 121,590,140              | -                            | -                              | 121,590,140                    |
| Due from other city funds                            | -                    | 2,018,877            | 19,576,169               | -                            | -                              | 21,595,046                     |
| <b>Total Assets</b>                                  | <b>\$ 13,342,718</b> | <b>\$ 5,142,511</b>  | <b>\$ 143,022,442</b>    | <b>\$ 373,483</b>            | <b>\$ 11,131,944</b>           | <b>\$ 173,013,098</b>          |
| <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b> |                      |                      |                          |                              |                                |                                |
| <u>Liabilities:</u>                                  |                      |                      |                          |                              |                                |                                |
| Accounts payable                                     | \$ 21,271            | \$ -                 | \$ -                     | \$ 1,636,315                 | \$ 30,905                      | \$ 1,688,491                   |
| Salaries & benefits payable                          | 69,018               | -                    | -                        | -                            | -                              | 69,018                         |
| Due to other city funds                              | -                    | -                    | -                        | 21,595,046                   | -                              | 21,595,046                     |
| <b>Total Liabilities</b>                             | <b>\$ 90,289</b>     | <b>\$ -</b>          | <b>\$ -</b>              | <b>\$ 23,231,361</b>         | <b>\$ 30,905</b>               | <b>\$ 23,352,555</b>           |
| <u>Deferred Inflows of Resources</u>                 |                      |                      |                          |                              |                                |                                |
| Deferred taxes & special assmts. rec.                | \$ 62,620            | \$ -                 | \$ 121,846,273           | \$ -                         | \$ 22,554                      | \$ 121,931,447                 |
| <u>Fund Balances:</u>                                |                      |                      |                          |                              |                                |                                |
| <u>Non-Spendable:</u>                                |                      |                      |                          |                              |                                |                                |
| Loans receivable                                     | \$ 11,289            | \$ -                 | \$ 1,600,000             | \$ -                         | \$ 75,825                      | \$ 1,687,114                   |
| Prepaid expenses                                     | -                    | -                    | -                        | -                            | 19,000                         | 19,000                         |
| <u>Restricted:</u>                                   |                      |                      |                          |                              |                                |                                |
| Debt service   | -                    | -                    | 19,576,169               | -                            | -                              | 19,576,169                     |
| General government                                   | -                    | -                    | -                        | -                            | 346,651                        | 346,651                        |
| Public safety  | -                    | -                    | -                        | -                            | 112,530                        | 112,530                        |
| Public works/streets                                 | -                    | -                    | -                        | -                            | 1,742,140                      | 1,742,140                      |
| Culture & recreation                                 | -                    | -                    | -                        | -                            | 420,944                        | 420,944                        |
| Other  | -                    | -                    | -                        | -                            | 184,527                        | 184,527                        |
| <u>Committed:</u>                                    |                      |                      |                          |                              |                                |                                |
| Sales tax fund                                       | -                    | 5,142,511            | -                        | -                            | -                              | 5,142,511                      |
| Future building fund                                 | -                    | -                    | -                        | -                            | 8,196,511                      | 8,196,511                      |
| <u>Unassigned:</u>                                   |                      |                      |                          |                              |                                |                                |
| Negative fund balances                               | -                    | -                    | -                        | (22,857,878)                 | (19,643)                       | (22,877,521)                   |
| General fund   | 13,178,520           | -                    | -                        | -                            | -                              | 13,178,520                     |
| <b>Total Fund Balances</b>                           | <b>\$ 13,189,809</b> | <b>\$ 5,142,511</b>  | <b>\$ 21,176,169</b>     | <b>\$ (22,857,878)</b>       | <b>\$ 11,078,485</b>           | <b>\$ 27,729,096</b>           |
| <b>Total Liabilities and Fund Balances</b>           | <b>\$ 13,342,718</b> | <b>\$ 5,142,511</b>  | <b>\$ 143,022,442</b>    | <b>\$ 373,483</b>            | <b>\$ 11,131,944</b>           | <b>\$ 173,013,098</b>          |

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

CITY OF WEST FARGO  
West Fargo, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2013

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|   |               |
|---|---------------|
| Total <i>Fund Balances</i> for Governmental Funds | \$ 27,729,096 |
|---|---------------|

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)                     | 24,658,618       |            |
| Infrastructure, net of (\$36,176,045) accumulated depreciation | 63,590,872       |            |
| Land Improvements, net of (\$1,369) accumulated depreciation   | 12,318           |            |
| Buildings, net of (\$972,125) accumulated depreciation         | 1,359,875        |            |
| Equipment, net of (\$2,051,115) accumulated depreciation       | <u>1,555,426</u> |            |
| Total Capital Assets   |                  | 99,039,741 |

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 | \$ 121,590,140 |             |
| Uncollected Taxes Receivable                         | 85,625         |             |
| Special Assessments Receivable                       | <u>255,682</u> | 121,931,447 |

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. (1,221,765)

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, 2013 are:

|                             |                    |                      |
|-----------------------------|--------------------|----------------------|
| Accrued Interest on Bonds   | \$ (819,768)       |                      |
| Bonds Payable               | (162,205,000)      |                      |
| Compensated Absences        | <u>(1,076,847)</u> |                      |
| Total Long-Term Liabilities |                    | <u>(164,101,615)</u> |

|   |                      |
|---|----------------------|
| Total Net Position of Governmental Activities | <u>\$ 83,376,904</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, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2013

|  | General Fund         | Sales Tax Fund        | Debt Service Funds   | Capital Projects Funds | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|----------------------|------------------------|--------------------------|--------------------------|
| <b>Revenues:</b>   |                      |                       |                      |                        |                          |                          |
| Taxes  | \$ 5,169,583         | \$ -                  | \$ 934,858           | \$ -                   | \$ 1,739,712             | \$ 7,844,153             |
| Special assessments                                      | -                    | -                     | 18,578,504           | -                      | 275,972                  | 18,854,476               |
| Sales taxes  | -                    | 3,786,905             | -                    | -                      | -                        | 3,786,905                |
| Licenses, permits and fees                               | 958,934              | -                     | -                    | 105,725                | -                        | 1,064,659                |
| Charges for services                                     | -                    | -                     | -                    | 122,775                | 648,117                  | 770,892                  |
| Intergovernmental  | 2,643,823            | -                     | -                    | -                      | 3,124,854                | 5,768,677                |
| Fines, forfeitures and penalties                         | 258,694              | -                     | -                    | -                      | -                        | 258,694                  |
| Interest on investments                                  | 25,746               | 8,095                 | 20,806               | 1,868                  | 18,689                   | 75,204                   |
| Miscellaneous  | 492,977              | -                     | 3,341,322            | 13,702                 | 112,399                  | 3,960,400                |
| <b>Total Revenues</b>                                    | <b>\$ 9,549,757</b>  | <b>\$ 3,795,000</b>   | <b>\$ 22,875,490</b> | <b>\$ 244,070</b>      | <b>\$ 5,919,743</b>      | <b>\$ 42,384,060</b>     |
| <b>Expenditures:</b>                                     |                      |                       |                      |                        |                          |                          |
| <b>Current:</b>  |                      |                       |                      |                        |                          |                          |
| General government                                       | \$ 2,376,527         | \$ -                  | \$ -                 | \$ -                   | \$ 322,216               | \$ 2,698,743             |
| Public safety  | 4,725,507            | -                     | -                    | -                      | 1,197,792                | 5,923,299                |
| Public works/streets                                     | 1,785,904            | -                     | -                    | -                      | 160,377                  | 1,946,281                |
| Economic development                                     | -                    | -                     | -                    | -                      | 42,145                   | 42,145                   |
| Culture and recreation                                   | -                    | -                     | -                    | -                      | 789,965                  | 789,965                  |
| Other  | -                    | -                     | -                    | -                      | 143,532                  | 143,532                  |
| Capital Outlay   | -                    | 245,000               | -                    | 36,596,994             | 428,419                  | 37,270,413               |
| <b>Debt Service:</b>                                     |                      |                       |                      |                        |                          |                          |
| Principal - Bonds  | -                    | -                     | 15,250,000           | -                      | -                        | 15,250,000               |
| Interest   | -                    | -                     | 4,706,564            | -                      | -                        | 4,706,564                |
| Fiscal charges & fees                                    | -                    | -                     | 166,452              | -                      | -                        | 166,452                  |
| Bond issuance costs                                      | -                    | -                     | -                    | 346,160                | -                        | 346,160                  |
| Special Assessments                                      | -                    | -                     | -                    | -                      | 262,554                  | 262,554                  |
| <b>Total Expenditures</b>                                | <b>\$ 8,887,938</b>  | <b>\$ 245,000</b>     | <b>\$ 20,123,016</b> | <b>\$ 36,943,154</b>   | <b>\$ 3,347,000</b>      | <b>\$ 69,546,108</b>     |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>\$ 661,819</b>    | <b>\$ 3,550,000</b>   | <b>\$ 2,752,474</b>  | <b>\$ (36,699,084)</b> | <b>\$ 2,572,743</b>      | <b>\$ (27,162,048)</b>   |
| <b>Other Financing Sources (Uses):</b>                   |                      |                       |                      |                        |                          |                          |
| Proceeds from bond sale                                  | \$ -                 | \$ -                  | \$ -                 | \$ 29,530,000          | \$ -                     | \$ 29,530,000            |
| Transfers in   | 2,549,394            | -                     | 2,374,920            | 1,282,331              | 2,863,599                | 9,070,244                |
| Transfers out  | (1,014,000)          | (2,912,304)           | (3,186,295)          | (315,125)              | (2,136,132)              | (9,563,856)              |
| <b>Total Other Financing Sources and Uses</b>            | <b>\$ 1,535,394</b>  | <b>\$ (2,912,304)</b> | <b>\$ (811,375)</b>  | <b>\$ 30,497,206</b>   | <b>\$ 727,467</b>        | <b>\$ 29,036,388</b>     |
| <b>Net Change in Fund Balances</b>                       | <b>\$ 2,197,213</b>  | <b>\$ 637,696</b>     | <b>\$ 1,941,099</b>  | <b>\$ (6,201,878)</b>  | <b>\$ 3,300,210</b>      | <b>\$ 1,874,340</b>      |
| Fund Balances - January 1                                | \$ 10,992,596        | \$ 4,504,815          | \$ 19,235,070        | \$ (16,656,000)        | \$ 7,390,274             | \$ 25,466,755            |
| Prior Period Adjustments                                 | -                    | -                     | -                    | -                      | 388,001                  | 388,001                  |
| <b>Fund Balances - Jan. 1, as restated</b>               | <b>\$ 10,992,596</b> | <b>\$ 4,504,815</b>   | <b>\$ 19,235,070</b> | <b>\$ (16,656,000)</b> | <b>\$ 7,778,275</b>      | <b>\$ 25,854,756</b>     |
| <b>Fund Balances - December 31</b>                       | <b>\$ 13,189,809</b> | <b>\$ 5,142,511</b>   | <b>\$ 21,176,169</b> | <b>\$ (22,857,878)</b> | <b>\$ 11,078,485</b>     | <b>\$ 27,729,096</b>     |

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

CITY OF WEST FARGO  
West Fargo, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2013

Net Change in *Fund Balances* - Total Governmental Funds \$ 1,874,340

The change in Net Position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions exceeded depreciation and losses on disposals of capital assets in the current period:

|   |                 |            |
|---|-----------------|------------|
| Capital Asset Additions                             | \$ 36,843,682   |            |
| Transfer of Capital Assets to Enterprise Activities | (20,569,065)    |            |
| Depreciation on Capital Assets                      | (5,303,992)     |            |
| Losses on Disposal of Capital Assets                | <u>(35,496)</u> | 10,935,129 |

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 | \$ (29,530,000)   |              |
| Repayments:              |                   |              |
| Bond Principal           | <u>15,250,000</u> | (14,280,000) |

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 Increase in Compensated Absences | \$ (94,568)     |             |
| Net Increase in Retainages Payable   | (1,221,765)     |             |
| Net Increase in Interest Payable     | <u>(45,620)</u> | (1,361,953) |

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: 2,784,106

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 Decrease in Taxes Receivable               |  | (4,789)          |
| Net Decrease in Special Assessments Receivable |  | <u>(186,466)</u> |

Change in Net Position of Governmental Activities \$ (239,633)

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, 2013

|                                       | Business-Type Activities - Enterprise Funds |                             |                       |
|---------------------------------------|---|-----------------------------|-----------------------|
|                                       | Water & Sewer<br>Funds                      | Sanitation &<br>Health Fund | Total                 |
| <b>ASSETS</b>                         |   |                             |                       |
| Current Assets:                       |   |                             |                       |
| Cash and investments                  | \$ 6,363,749                                | \$ 1,270,755                | \$ 7,634,504          |
| Accounts receivable                   | 333,266                                     | 243,501                     | 576,767               |
| Total Current Assets                  | <u>\$ 6,697,015</u>                         | <u>\$ 1,514,256</u>         | <u>\$ 8,211,271</u>   |
| Noncurrent Assets:                    |   |                             |                       |
| Capital Assets not being depreciated: |   |                             |                       |
| Land                                  | \$ 835,634                                  | \$ -                        | \$ 835,634            |
| Capital Assets being depreciated:     |   |                             |                       |
| Building                              | 1,179,493                                   | 931,025                     | 2,110,518             |
| Equipment                             | 835,131                                     | 1,016,616                   | 1,851,747             |
| Infrastructure                        | 187,548,758                                 | -                           | 187,548,758           |
| Total Noncurrent Assets               | <u>\$ 190,399,016</u>                       | <u>\$ 1,947,641</u>         | <u>\$ 192,346,657</u> |
| Total Assets                          | <u>\$ 197,096,031</u>                       | <u>\$ 3,461,897</u>         | <u>\$ 200,557,928</u> |
| <b>LIABILITIES</b>                    |   |                             |                       |
| Current Liabilities:                  |   |                             |                       |
| Accounts payable                      | \$ 29,086                                   | \$ 1,214                    | \$ 30,300             |
| Interest payable                      | 116,233                                     | -                           | 116,233               |
| Bonds payable                         | 570,000                                     | -                           | 570,000               |
| Compensated absences                  | 27,007                                      | 9,656                       | 36,663                |
| Total Current Liabilities             | <u>\$ 742,326</u>                           | <u>\$ 10,870</u>            | <u>\$ 753,196</u>     |
| Noncurrent Liabilities:               |   |                             |                       |
| Bonds payable                         | \$ 15,070,000                               | \$ -                        | \$ 15,070,000         |
| Compensated absences                  | 243,059                                     | 86,906                      | 329,965               |
| Total Noncurrent Liabilities          | <u>\$ 15,313,059</u>                        | <u>\$ 86,906</u>            | <u>\$ 15,399,965</u>  |
| Total Liabilities                     | <u>\$ 16,055,385</u>                        | <u>\$ 97,776</u>            | <u>\$ 16,153,161</u>  |
| <b>NET POSITION</b>                   |   |                             |                       |
| Net investment in capital assets      | \$ 174,759,016                              | \$ 1,947,641                | \$ 176,706,657        |
| Unrestricted                          | 6,281,630                                   | 1,416,480                   | 7,698,110             |
| Total Net Position                    | <u>\$ 181,040,646</u>                       | <u>\$ 3,364,121</u>         | <u>\$ 184,404,767</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, 2013

|  | Business-Type Activities - Enterprise Funds |                             |                |
|--|---|-----------------------------|----------------|
|  | Water & Sewer<br>Funds                      | Sanitation &<br>Health Fund | Total          |
| <u>Operating Revenues:</u>               |   |                             |                |
| Charges for sales services               | \$ 5,321,322                                | \$ 2,602,496                | \$ 7,923,818   |
| <u>Operating Expenses:</u>               |   |                             |                |
| Water and sewer operating                | \$ 4,232,495                                | \$ -                        | \$ 4,232,495   |
| Sanitation operating                     | -   | 2,401,483                   | 2,401,483      |
| Depreciation                             | 5,258,857                                   | 169,389                     | 5,428,246      |
| Total Operating Expenses                 | \$ 9,491,352                                | \$ 2,570,872                | \$ 12,062,224  |
| Operating Income                         | \$ (4,170,030)                              | \$ 31,624                   | \$ (4,138,406) |
| <u>Nonoperating Revenues (Expenses):</u> |   |                             |                |
| Investment earnings                      | \$ 10,353                                   | \$ 2,225                    | \$ 12,578      |
| Miscellaneous revenue                    | 56,073                                      | 700                         | 56,773         |
| Miscellaneous expense                    | (8,789)                                     | -                           | (8,789)        |
| Interest expense                         | (566,151)                                   | -                           | (566,151)      |
| Loss on capital assets                   | (87,107)                                    | (23)                        | (87,130)       |
| Total Nonoperating Revenue (Expenses)    | \$ (595,621)                                | \$ 2,902                    | \$ (592,719)   |
| Income Before Transfers                  | \$ (4,765,651)                              | \$ 34,526                   | \$ (4,731,125) |
| Transfers in                             | \$ 21,469,798                               | \$ 22,432                   | \$ 21,492,230  |
| Transfers out                            | (417,419)                                   | (12,133)                    | (429,552)      |
| Total net transfers                      | \$ 21,052,379                               | \$ 10,299                   | \$ 21,062,678  |
| Changes in Net Position                  | \$ 16,286,728                               | \$ 44,825                   | \$ 16,331,553  |
| Net Position - January 1                 | \$ 164,746,058                              | \$ 3,319,296                | \$ 168,065,354 |
| Prior Period Adjustment                  | 7,860                                       | -                           | 7,860          |
| Net Position - January 1, as restated    | \$ 164,753,918                              | \$ 3,319,296                | \$ 168,073,214 |
| Net Position - December 31               | \$ 181,040,646                              | \$ 3,364,121                | \$ 184,404,767 |

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, 2013

|   | Business-Type Activities - Enterprise Funds |                             |                              |
|---|---|-----------------------------|------------------------------|
|   | Water & Sewer<br>Operating                  | Sanitation &<br>Health Fund | Total<br>Enterprise<br>Funds |
| <u>Cash Flows from Operating Activities:</u>  |   |                             |                              |
| Receipts from customers and users   | \$ 5,371,728                                | \$ 2,574,714                | \$ 7,946,442                 |
| Payments to suppliers   | (2,601,012)                                 | (1,302,455)                 | (3,903,467)                  |
| Payments to employees   | (1,662,182)                                 | (1,086,413)                 | (2,748,595)                  |
| Net Cash Provided by Operating Activities   | <u>\$ 1,108,534</u>                         | <u>\$ 185,846</u>           | <u>\$ 1,294,380</u>          |
| <u>Cash Flows from Noncapital Financing Activities:</u>   |   |                             |                              |
| Miscellaneous   | \$ 50,126                                   | \$ 696                      | \$ 50,822                    |
| Maintenance agreement revenue   | (8,789)                                     | -                           | (8,789)                      |
| Transfer in   | 900,733                                     | 22,432                      | 923,165                      |
| Transfers out   | (417,419)                                   | (12,133)                    | (429,552)                    |
| Net Cash Provided (Used) by Noncapital Financing Activities   | <u>\$ 524,651</u>                           | <u>\$ 10,995</u>            | <u>\$ 535,646</u>            |
| <u>Cash Flows from Capital and Related Financing Activities:</u>                                      |   |                             |                              |
| Principal paid on capital debt  | \$ (555,000)                                | \$ -                        | \$ (555,000)                 |
| Interest & fees paid on capital debt  | (568,756)                                   | -                           | (568,756)                    |
| Construction & purchases of capital assets  | (129,177)                                   | (322,520)                   | (451,697)                    |
| Net Cash Used by Capital and Related Financing Activities   | <u>\$ (1,252,933)</u>                       | <u>\$ (322,520)</u>         | <u>\$ (1,575,453)</u>        |
| <u>Cash Flows from Investing Activities:</u>  |   |                             |                              |
| Interest income   | \$ 10,353                                   | \$ 2,225                    | \$ 12,578                    |
| Net Increase in Cash and Cash Equivalents   | <u>\$ 390,605</u>                           | <u>\$ (123,454)</u>         | <u>\$ 267,151</u>            |
| Cash and Cash Equivalents - January 1   | <u>\$ 5,973,144</u>                         | <u>\$ 1,394,209</u>         | <u>\$ 7,367,353</u>          |
| Cash and Cash Equivalents - December 31   | <u>\$ 6,363,749</u>                         | <u>\$ 1,270,755</u>         | <u>\$ 7,634,504</u>          |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u> |   |                             |                              |
| Operating income (loss)   | \$ (4,170,030)                              | \$ 31,624                   | \$ (4,138,406)               |
| <u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u> |   |                             |                              |
| Depreciation expense  | 5,258,857                                   | 169,389                     | 5,428,246                    |
| Increase (decrease) in utility billing receivables  | 50,406                                      | (27,782)                    | 22,624                       |
| Increase (decrease) in compensated absences   | (55,835)                                    | 11,401                      | (44,434)                     |
| Net change in accrued payables  | 25,136                                      | 1,214                       | 26,350                       |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 1,108,534</u>                         | <u>\$ 185,846</u>           | <u>\$ 1,294,380</u>          |

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

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CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
December 31, 2013

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|                         | <u>Agency Funds</u> |
|-------------------------|---------------------|
| <u>ASSETS:</u>          |                     |
| Cash and investments    | \$ 679,736          |
| Accounts receivable     | <u>6,806</u>        |
| Total Assets            | <u>\$ 686,542</u>   |
| <br><u>LIABILITIES:</u> |                     |
| Due to others           | <u>\$ 686,542</u>   |

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

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CITY OF WEST FARGO  
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

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

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

B. Government-wide and fund financial statements

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

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

## CITY OF WEST FARGO

### Notes to the Financial Statements - Continued

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

## CITY OF WEST FARGO

### Notes to the Financial Statements - Continued

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

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

The city follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting 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 1<sup>st</sup> of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1<sup>st</sup> of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15<sup>th</sup>.

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

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

**3. Capital Assets**

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

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

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

| <b>Assets</b>  | <b>Years</b> |
|----------------|--------------|
| Buildings      | 30-50        |
| Equipment      | 5-20         |
| Vehicles       | 5-10         |
| Infrastructure | 20-40        |

**4. Compensated Absences**

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

Sick leave is accrued at a rate of 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:

| <b>CLASSIFICATION</b> | <b>DEFINITION</b>   | <b>EXAMPLES</b>   |
|-----------------------|---|---|
| Nonspendable          | Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.  | Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.  |
| Restricted            | Fund balance is reported as restricted when constraints are placed on the use of resources that are either<br>(a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.<br>(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.<br>(a) The General Fund is the only fund that can report a positive unassigned fund balance;<br>(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, 2013.

Non-spendable fund balances are reported in the general fund for a loan receivable of \$11,289, debt service funds \$1,600,000 for a loan receivable, Economic Development loans receivable of \$75,825 and building special revenue fund of \$19,000 for prepaid expenses.

## CITY OF WEST FARGO

### Notes to the Financial Statements - Continued

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Restricted fund balances are reported for the debt service fund of \$19,576,169 and various functions within the special revenue funds for restricted tax levies, and amounts restricted by state and federal grants/contracts totaling \$2,806,792.

Committed fund balances are reported for the sales tax fund for funds \$5,142,511, committed by the governing board to close out various capital projects and for debt service, and the New Building Fund in the amount of \$8,196,511 also committed by the governing board for construction which will start in 2014.

Unassigned fund balances are reported for the remaining portion of the general fund \$13,178,520 and for negative fund balances reported in the capital projects fund \$(22,877,521) and special revenue funds (\$19,643) for a total of (\$9,699,001).

#### **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.

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$55,647,808 differences are as follows:

**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

|   |                 |               |
|---|-----------------|---------------|
| Total Governmental Fund Balances  |                 | \$ 27,729,096 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |                 | 99,039,741    |
| Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds (taxes & special assessments receivables)     |                 | 121,931,447   |
| 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   | \$(162,205,000) |               |
| Interest Payable  | (819,768)       |               |
| Retainages Payable  | (1,221,765)     |               |
| Compensated Absences Payable  | (1,076,847)     | (165,323,380) |
| Net Position of Governmental Activities   |                 | \$ 83,376,904 |

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 this difference are as follows:

|  |  |              |
|--|--|--------------|
| Net Changes in Fund Balance-Governmental Funds   |  | \$ 1,874,340 |
| 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. |  | 31,504,194   |
| 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.   |  | (45,620)     |
| 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.   |  | (94,568)     |
| 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.   |  | (1,221,765)  |
| Capital grants & transfers to capital assets to enterprise funds are not reported in the fund financial statements, however, a capital contribution is reported in the enterprise funds and a transfer is reported in the governmental activities at the government-wide level.                |  | (20,569,065) |

**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.   | \$ (4,789)          |
| 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.   | (29,530,000)        |
| Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in statement of net position.  | 15,250,000          |
| 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: | 2,597,640           |
| <b>Change in Net Position of Governmental Activities</b>   | <b>\$ (239,633)</b> |

**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 2013 city budget (expenditures and transfers out):

| <b>Fund #</b> | <b>Description</b>     | <b>Change</b> |
|---------------|------------------------|---------------|
| 1001          | General Fund Reserve   | \$ 1,000,000  |
| 2000          | Sales Tax Fund         | 1,651,725     |
| 2030          | City Share of Specials | 12,554        |
| 2050          | Park                   | 1,205,398     |
| 2120          | 911                    | 4,134         |
| 2130          | Municipal Highway      | 683,628       |
| 2141          | FM Visitor's Bureau    | 12,302        |
| 2146          | Otto Bremer Grant      | 8,958         |

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**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

| Fund # | Description                        | Change              |
|--------|------------------------------------|---------------------|
| 2147   | Police Siren Reserve               | \$ 3,329            |
| 2150   | General Fund Police Equipment      | 674                 |
| 2151   | City Hall Remodeling               | 57,111              |
| 2200   | Vector Control                     | 33,005              |
| 2350   | Dare                               | 10,339              |
| 2600   | Future Building                    | 424,118             |
| 2800   | West Fest                          | 9,578               |
| 2900   | Cruise Night                       | 5,860               |
| 2950   | Asset Forfeitures                  | 22,135              |
| 2980   | South Facilities Hookup            | 178,338             |
| 3339   | Rib 2011 c                         | 364                 |
| 3342   | Sidewalk 6040 - 2004               | 687                 |
| 3345   | Sidewalk 6042 - 2005               | 87                  |
| 3347   | Sidewalk 6044 - 2007               | 92                  |
| 3355   | Refund Bond 2005C                  | 99                  |
| 3365   | Rib 2007a                          | 392                 |
| 3366   | Rib 2007 b                         | 57                  |
| 3367   | Refunding Bonds 2008a (FR 2003b)   | 2,909,735           |
| 3370   | Rib 2009 c                         | 31                  |
| 3378   | Rib 2012 d                         | 2,621,175           |
| 3379   | 2012 Sales Tax Bonds-Costco        | 105,470             |
| 3381   | Rib 2013a                          | 1,347,433           |
| 3382   | Rib 2013b                          | 970,714             |
| 3981   | TIF Bonds Sterling Ind. Park(3377) | 150,000             |
| 3982   | TIF Butler (3360 & 3366)           | 100,000             |
|        | <b>TOTAL</b>                       | <b>\$13,529,520</b> |

**NOTE 4: DETAILED NOTES ON ALL FUNDS**

A. Deposits and Investments

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

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

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

At year ended December 31, 2013, the city's carrying amount of deposits was \$34,479,414 and the bank balances were \$35,408,881. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$34,158,881 were collateralized with securities held by the pledging financial institution's agent in the government's name.

**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

Credit Risk:

The City may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2013, the city held certificates of deposit totaling \$1,112,284.

The City's bond rating was Aa 3 during the year ended December 31, 2013.

B. Receivables

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

| <b>Receivables:</b>      | <b>General</b>   | <b>Non Major Funds</b> | <b>Debt/Cap. Const.</b> | <b>Sales Tax</b> | <b>Water/ Sewer</b> | <b>Health/ Sanitation</b> | <b>Total</b>         |
|--------------------------|------------------|------------------------|-------------------------|------------------|---------------------|---------------------------|----------------------|
| Accounts/Loans Rec.      | \$130,516        | \$ 18,529              | \$ 373,483              | \$ -             | \$337,117           | \$243,501                 | \$ 1,103,146         |
| Taxes Receivable         | 62,620           | 12,945                 | 451                     | -                | -                   | -                         | 76,017               |
| Loans Receivable         | 11,289           | 75,992                 | 1,600,000               | -                | -                   | -                         | 1,687,281            |
| Specials-Current         | -                | -                      | 255,682                 | -                | -                   | -                         | 255,682              |
| Specials-LT Uncertified  | -                | -                      | 121,590,140             | -                | -                   | -                         | 121,590,140          |
| Intergovt.-Receivable    | 514,490          | 197,742                | -                       | 397,408          | -                   | -                         | 1,109,640            |
| <b>Total Receivables</b> | <b>\$718,915</b> | <b>\$335,650</b>       | <b>\$123,819,756</b>    | <b>\$397,408</b> | <b>\$337,117</b>    | <b>\$243,501</b>          | <b>\$125,821,905</b> |

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

|   |                      |
|---|----------------------|
| Taxes Receivable – General                    | \$ 62,620            |
| Taxes Receivable - NM Funds                   | 22,554               |
| Taxes Receivable - Debt Service Funds         | 451                  |
| Special Assessments Receivable-Current        | 255,682              |
| LT Uncertified Spec. Assessments Receivable   | 121,590,140          |
| <b>Total Deferred Inflows - Balance Sheet</b> | <b>\$121,931,447</b> |

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

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 \$21,595,046 total that the capital projects funds owes the debt service funds (\$19,576,169) and the sales tax fund (\$2,018,877) 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, 2013 (does not include capital asset transfers between governmental and business-type activities):

| Transfers Out    | Transfers In       |                    |                    |                    |                  | Total              |
|------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|
|                  | General            | Debt Service       | Capital Projects   | Non-Major          | Enterprise Fund  |                    |
| General Fund     | \$ -               | \$ -               | \$ -               | \$1,014,000        | \$ -             | \$1,014,000        |
| Sales Tax        | -                  | 1,254,282          | 608,022            | 1,050,000          | -                | 2,912,304          |
| Debt Service     | 704,782            | 1,120,638          | 360,742            | 731,699            | 268,434          | 3,186,295          |
| Capital Projects | 89,947             | -                  | -                  | -                  | 225,178          | 315,125            |
| Non-Major Funds  | 1,754,666          | -                  | 313,567            | 67,900             | -                | 2,136,133          |
| Enterprise Funds | -                  | -                  | -                  | -                  | 429,552          | 429,552            |
| <b>Totals</b>    | <b>\$2,549,395</b> | <b>\$2,374,920</b> | <b>\$1,282,331</b> | <b>\$2,863,599</b> | <b>\$923,164</b> | <b>\$9,993,409</b> |

Interfund cash transfers in/out consist of the following:

- \$923,164 to Water & Sewer to various capital projects and enterprise funds;
- \$1,670,085 from Highway tax to General to fund street expenses;
- \$1,000,000 into general fund reserve (general fund) from various capital projects funds;
- \$10,000 from gaming funds to General for various expenses;
- \$794,043 from Debt Service to general reserve for administrative cost;
- \$1,254,282 from Sales tax to Debt Service for scheduled payment;
- \$1,000,000 from Sales tax to New Building fund for future construction.
- \$2,788,587 into the Future Building Fund from Sales Tax (\$1,000,000), General Fund (\$1,000,000), and various capital projects funds totaling \$788,587;
- \$500,000 from the Sales Tax Fund to the Capital Improvements Fund;
- \$955,579 from the Sales Tax Fund to the 2009 G.O. Bonds Debt Service Fund;
- \$1,282,331 into Capital Projects to help finance various capital projects, and to close various completed capital projects funds;

**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

D. Capital Assets

| <b>Governmental Activities:</b>                    | <b>Balance<br/>1-1-13</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Balance<br/>12-31-13</b> |
|--|---------------------------|---------------------|---------------------|-----------------------------|
| <i>Capital assets not being depreciated:</i>       |                           |                     |                     |                             |
| Land   | \$ 7,862,632              | \$ 61,134           | \$ 61,134           | \$ 7,862,632                |
| Construction in Progress                           | 18,075,494                | 36,478,094          | 29,894,970          | 24,658,616                  |
| <b>Total Capital Assets, Not Being Depreciated</b> | <b>\$25,938,126</b>       | <b>\$36,539,228</b> | <b>\$29,956,104</b> | <b>\$ 32,521,250</b>        |
| <i>Capital assets being depreciated:</i>           |                           |                     |                     |                             |
| Buildings  | \$ 2,332,001              | \$ -                | \$ -                | \$ 2,332,001                |
| Equipment  | 3,505,009                 | 325,699             | 224,166             | 3,606,542                   |
| Land Improvements                                  | 13,687                    | -                   | -                   | 13,687                      |
| Infrastructure                                     | 90,401,123                | 9,365,794           | -                   | 9,976,6917                  |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>\$96,251,820</b>       | <b>\$ 9,691,493</b> | <b>\$ 224,166</b>   | <b>\$105,719,147</b>        |
| <i>Less Accumulated Depreciation for:</i>          |                           |                     |                     |                             |
| Buildings  | \$ 927,111                | \$ 45,015           | \$ -                | \$ 972,126                  |
| Equipment  | 1,959,788                 | 279,999             | 188,671             | 2,051,116                   |
| Land Improvements                                  | 912                       | 457                 | -                   | 1,369                       |
| Infrastructure                                     | 31,197,523                | 4,978,522           | -                   | 3,617,6045                  |
| <b>Total Accumulated Depreciation</b>              | <b>\$34,085,334</b>       | <b>\$ 5,303,993</b> | <b>\$ 188,671</b>   | <b>\$ 39,200,656</b>        |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$62,166,486</b>       | <b>\$ 4,387,500</b> | <b>\$ 35,495</b>    | <b>\$ 66,518,491</b>        |
| <b>Governmental Activities Capital Assets, Net</b> | <b>\$88,104,612</b>       | <b>\$40,926,728</b> | <b>\$29,991,599</b> | <b>\$ 99,039,741</b>        |

| <b>Enterprise Activities:</b>                      | <b>Balance<br/>1-1-13</b> | <b>Increases</b>    | <b>Decreases</b> | <b>Balance<br/>12-31-13</b> |
|--|---------------------------|---------------------|------------------|-----------------------------|
| <i>Capital assets not being depreciated:</i>       |                           |                     |                  |                             |
| Land   | \$ 774,500                | \$ 61,134           | \$ -             | \$ 835,634                  |
| Construction in Progress                           | -                         | -                   | -                | -                           |
| <b>Total Capital Assets, Not Being Depreciated</b> | <b>\$ 774,500</b>         | <b>\$ 61,134</b>    | <b>\$ -</b>      | <b>\$ 835,634</b>           |
| <i>Capital assets being depreciated:</i>           |                           |                     |                  |                             |
| Buildings  | \$ 2,372,095              | \$ -                | \$ -             | \$ 2,372,095                |
| Equipment  | 6,917,130                 | 451,696             | 266,623          | 7,102,203                   |
| Land Improvements                                  | 3,751,796                 | -                   | -                | 3,751,796                   |
| Infrastructure                                     | 208,111,636               | 20,529,176          | -                | 228,640,812                 |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>\$221,152,657</b>      | <b>\$20,980,872</b> | <b>\$266,623</b> | <b>\$241,866,906</b>        |
| <i>Less Accumulated Depreciation for:</i>          |                           |                     |                  |                             |
| Buildings  | \$ 214,136                | \$ 47,442           | \$ -             | \$ 261,578                  |
| Equipment  | 5,093,824                 | 323,811             | 167,180          | 5,250,455                   |
| Land Improvements                                  | 3,751,796                 | -                   | -                | 3,751,796                   |
| Infrastructure                                     | 36,035,061                | 5,056,994           | -                | 41,092,055                  |
| <b>Total Accumulated Depreciation</b>              | <b>\$ 45,094,816</b>      | <b>\$ 5,428,247</b> | <b>\$167,180</b> | <b>\$ 50,355,884</b>        |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$176,057,840</b>      | <b>\$15,552,625</b> | <b>\$ 99,443</b> | <b>\$191,511,023</b>        |
| <b>Governmental Activities Capital Assets, Net</b> | <b>\$176,832,340</b>      | <b>\$15,613,759</b> | <b>\$ 99,443</b> | <b>\$192,346,657</b>        |

Depreciation expense was charged to the following functions/programs of the City's governmental activities for the current fiscal year (\$5,303,993):

| <b>Governmental Activities:</b>                         | <b>Amounts</b>     |
|---|--------------------|
| General Government                                      | \$ 70,723          |
| Public Safety   | 130,252            |
| Highways and Streets                                    | 5,091,960          |
| Other   | 8,809              |
| Culture and Recreation                                  | 2,250              |
| <b>Total Depreciation Expense-Government Activities</b> | <b>\$5,303,993</b> |

**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

Component Units – The City of West Fargo does not have any component units. The Airport and Library capital assets were reallocated as governmental activities capital assets.

E. Long-term Debt

**Changes in Long-Term Liabilities:**

During the year ended December 31, 2013, the following changes occurred in long-term liabilities of governmental and business type activities:

**Primary Government - Governmental Activities:**

| <b>Governmental Activities:</b> | <b>Balance<br/>1-1-13</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Balance<br/>12-31-13</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------|---------------------------|---------------------|---------------------|-----------------------------|--------------------------------|
| G.O. Bonds                      | \$ 9,065,000              | \$ -                | \$ 640,000          | \$ 8,425,000                | \$ 650,000                     |
| Sales Tax Revenue Bonds         | 2,060,000                 | -                   | 40,000              | 2,020,000                   | 165,000                        |
| Spec. Assmt. 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 *          | 982,279                   | 94,568              | -                   | 1,076,847                   | 107,684                        |
| <b>Total Govt. Activities</b>   | <b>\$148,907,279</b>      | <b>\$29,624,568</b> | <b>\$15,250,000</b> | <b>\$163,281,847</b>        | <b>\$13,967,684</b>            |
| <b>Total Bonds Payable</b>      | <b>\$147,925,000</b>      | <b>\$29,530,000</b> | <b>\$15,250,000</b> | <b>\$162,205,000</b>        | <b>\$13,860,000</b>            |

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

| <b>Enterprise<br/>Business-Type Activities:</b> | <b>Balance<br/>1-1-13</b> | <b>Increases</b> | <b>Decreases</b> | <b>Balance<br/>12-31-13</b> | <b>Due Within<br/>One Year</b> |
|---|---------------------------|------------------|------------------|-----------------------------|--------------------------------|
| Sewer Bonds                                     | \$16,195,000              | \$ -             | \$555,000        | \$15,640,000                | \$570,000                      |
| Compensated Absences *                          | 411,062                   | -                | 44,434           | 366,628                     | 36,663                         |
| <b>Total Governmental Activities</b>            | <b>\$16,606,062</b>       | <b>\$ -</b>      | <b>\$594,434</b> | <b>\$16,006,628</b>         | <b>\$606,663</b>               |

\* - 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 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 \$650,000 to \$915,000 through 2024; interest at 2.50% to 4.35%.

\$8,425,000

**CITY OF WEST FARGO**

## Notes to the Financial Statements - Continued

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

| <b>GOVERNMENTAL ACTIVITIES</b>     |                           |                    |
|------------------------------------|---------------------------|--------------------|
| <b>Year Ending<br/>December 31</b> | <b>G.O. Bonds Payable</b> |                    |
|                                    | <b>Principal</b>          | <b>Interest</b>    |
| 2014                               | \$ 650,000                | \$ 298,513         |
| 2015                               | 670,000                   | 282,263            |
| 2016                               | 685,000                   | 263,837            |
| 2017                               | 705,000                   | 243,287            |
| 2018                               | 730,000                   | 222,138            |
| 2019 – 2023                        | 4,070,000                 | 705,183            |
| 2024 – 2028                        | 915,000                   | 39,803             |
| <b>TOTALS</b>                      | <b>\$8,425,000</b>        | <b>\$2,055,023</b> |

The City also issued \$29,530,000 of special assessment debt in 2013 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%. | \$ 2,925,000 |
| \$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 2.50% to 4.0%.   | 2,030,000    |
| \$7,725,000 Refunding Improvement Bonds of 2009, Series C, due in annual installments of \$310,000 to \$325,000 through 2034; interest at 2.25% to 4.85%.                             | 6,705,000    |
| \$525,000 Sidewalk Warrants of 2010 (6048) due in annual installments of \$50,000 to \$55,000 through 2020; interest at 1.0% to 2.4%.   | 365,000      |
| \$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%.   | 490,000      |
| \$570,000 Tax Increment Revenue Bonds of 2009, due in annual installments of \$30,000 to \$50,000; interest at 2.75% to 4.5%.   | 480,000      |
| \$5,935,000 Refunding Improvement Bonds of 2010, Series A, due in annual installments of \$600,000 to \$675,000 through 2019; interest at 1.9% to 3.5%.                               | 3,795,000    |
| \$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%.                               | 6,500,000    |
| \$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%.                                       | 1,205,000    |

**CITY OF WEST FARGO**

## Notes to the Financial Statements - Continued

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

|  |            |
|--|------------|
| \$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$700,000 through 2023; interest at 4.0%.   | 6,365,000  |
| \$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%.  | 4,030,000  |
| \$240,000 Sidewalk Bonds of 2007, due in annual installments of \$20,000 to \$25,000 through 2017; interest 4.0% to 4.1%   | 90,000     |
| \$215,000 Sidewalk Bonds of 2008, due in annual installments of \$20,000 through 2018; interest at 4.0%.   | 100,000    |
| \$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%.   | 1,810,000  |
| \$7,080,000 Refunding Improvement Bonds 2008, Series C due in annual installments of \$450,000 to \$475,000 through 2024; interest 3.5% to 4.75%.  | 5,080,000  |
| \$2,645,000 Refunding Improvement Bonds 2011, Series B due in annual installments of \$175,000 to \$320,000 through 2020; interest 1.35% to 3.5%.  | 1,995,000  |
| \$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%.   | 9,485,000  |
| \$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%.   | 4,060,000  |
| \$55,000 Sidewalk Bonds of 2003, due in one annual installment of \$5,000 in 2014 interest at 4.60%.   | 5,000      |
| \$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.   | 155,000    |
| \$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%.                                 | 14,605,000 |
| \$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 .45% to 1.85%.              | 5,290,000  |
| \$225,000 Sidewalk Bonds of 2006, due in annual installments of \$20,000 through 2016; interest rate at 4.25%.   | 60,000     |
| \$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%. | 8,510,000  |

**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

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

|   |                      |
|---|----------------------|
| \$37,600,000 Refunding Improvement Bonds of 2012, Series D, included refinance of 2008A, due in annual installments of \$1,145,000 to \$2,445,000 through 2037; interest rate from 2.00% to 3.375%. | 36,095,000           |
| \$15,900,000 Refunding Improvement Bonds of 2013, Series A, due in annual installments of \$570,000 to \$800,000 through 2037; interest rate from 2% to 3.25%.                                      | 15,900,000           |
| \$13,630,000 Refunding Improvement Bonds of 2013, Series B, due in annual installments of \$225,000 to \$675,000 through 2038; interest rates from 2% to 4.2%.                                      | <u>13,630,000</u>    |
| Total Special Assessment & TIF Bonds  | <u>\$151,760,000</u> |

**Sales Tax Bonds**

|  |                      |
|--|----------------------|
| \$2,060,000 Sales Tax Revenue Bond, Series 2012, due in annual payments of \$165,000 to \$410,000 through 2023; interest rate of 1.20% to 3.00%. | <u>\$ 2,020,000</u>  |
| Total of "Bonds" for Governmental Activities   | <u>\$153,780,000</u> |

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

| <b>GOVERNMENTAL ACTIVITIES</b>     |                      |                     |
|------------------------------------|----------------------|---------------------|
| <b>Year Ending<br/>December 31</b> | <b>Total Bonds</b>   |                     |
|                                    | <b>Principal</b>     | <b>Interest</b>     |
| 2014                               | \$ 13,210,000        | \$ 4,456,988        |
| 2015                               | 13,015,000           | 4,127,005           |
| 2016                               | 12,500,000           | 3,818,916           |
| 2017                               | 11,780,000           | 3,507,542           |
| 2018                               | 13,100,000           | 3,439,853           |
| 2019 – 2023                        | 36,245,000           | 11,653,874          |
| 2024 – 2028                        | 21,380,000           | 7,539,366           |
| 2029 – 2033                        | 19,465,000           | 4,161,096           |
| 2034 – 2038                        | 13,050,000           | 926,811             |
| 2039 – 2043                        | 35,000               | 875                 |
| <b>TOTALS</b>                      | <b>\$153,780,000</b> | <b>\$43,632,327</b> |

Business-Type Activities:

|   |                     |
|---|---------------------|
| \$9,145,000 Water & Sewer Refunding Bonds 2012, (2005), due in annual installments of \$390,000 to \$630,000 through 2030; interest at 2.5% to 4.25% - enterprise funds (Business-Type Activities). | \$ 8,440,000        |
| \$7,870,000 Water and Sewer Revenue Bonds Series 2009 due in annual installments of \$180,000 to \$1,140,000 through 2034; interest at 4.0% to 6.375% - enterprise funds (Business-Type Activities) | <u>7,200,000</u>    |
| Total Business-Type Activities Revenue Bonds  | <u>\$15,640,000</u> |

**CITY OF WEST FARGO**

## Notes to the Financial Statements - Continued

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

| <b>BUSINESS-TYPE ACTIVITIES</b>    |                              |                    |
|------------------------------------|------------------------------|--------------------|
| <b>Year Ending<br/>December 31</b> | <b>Revenue Bonds Payable</b> |                    |
|                                    | <b>Principal</b>             | <b>Interest</b>    |
| 2014                               | \$ 570,000                   | \$ 697,400         |
| 2015                               | 590,000                      | 680,450            |
| 2016                               | 610,000                      | 662,463            |
| 2017                               | 630,000                      | 643,313            |
| 2018                               | 640,000                      | 627,625            |
| 2018 – 2022                        | 3,590,000                    | 2,753,393          |
| 2023 – 2027                        | 4,415,000                    | 1,913,099          |
| 2028 – 2032                        | 3,455,000                    | 882,928            |
| 2033 - 2037                        | 1,140,000                    | 72,675             |
| <b>TOTALS</b>                      | <b>\$15,640,000</b>          | <b>\$8,933,344</b> |

**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, 2013, 2012 and 2011 were \$713,503, \$487,641, \$494,643, respectively, equal to the required contributions for each year.

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, 2013, 2012, and 2011 were \$128,768, \$169,941, and \$165,539.

**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

**NOTE 5: INDIVIDUAL FUND DEFICITS**

The following funds were in a deficit cash position at December 31, 2013:

| Fund  | Balance      |
|---|--------------|
| <u>Non-major Fund - Special Revenue:</u>          |              |
| Vector Control                                    | \$ (13,605)  |
| Flood Control                                     | (36,230)     |
| <u>Debt Service Funds (Major):</u>                |              |
| Sidewalk Bonds 2010                               | (18,941)     |
| 2012 Sidewalk District                            | (240,000)    |
| <u>Capital Projects Funds (Major):</u>            |              |
| Total Capital Projects Funds (various funds, net) | (21,221,564) |

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 (NDRIF), 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 NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$5,986,918 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 17 construction projects open at year-end. The total amount of construction costs in progress was \$23,563,999 with contract amounts of \$35,230,184 leaving total construction commitments of \$11,666,185 at December 31, 2013.

| Project                                     | Contract Amount     | Total Completed     | Remaining Balance   | Retainage          |
|---|---------------------|---------------------|---------------------|--------------------|
| Stm Impr Dist #4044-Phase II,#4046&#4047    | \$ 809,643          | \$ 809,643          | \$ -                | \$ -               |
| Water Impr District # 1246                  | 842,863             | 22,329              | 820,534             | -                  |
| Sewer, W, Stm & Street Impr District # 1248 | 4,547,255           | 4,565,767           | (18,512)            | 228,288            |
| Sewer, W, Stm & Street Impr District # 1249 | 4,828,495           | 4,580,793           | 247,702             | 240,034            |
| Sewer Impr District #1253-Phase I           | 1,108,050           | 1,115,712           | (7,661)             | 22,314             |
| Sewer Impr District #1253-Phase II          | 3,353,441           | 226,011             | 3,127,431           | 22,601             |
| Sewer, W, Stm & Street Impr District # 1257 | 1,348,862           | 701,300             | 647,561             | 67,423             |
| Sewer, W, Stm & Street Impr District # 1258 | 3,302,857           | 1,753,988           | 1,548,870           | 165,133            |
| Sewer, W, Stm & Street Impr District # 1259 | 2,799,738           | 847,174             | 1,952,563           | 84,717             |
| Sewer, W, Stm & Street Impr District # 1262 | 1,070,169           | 805,594             | 264,575             | 56,419             |
| Sewer, W, Stm & Street Impr District # 1263 | 2,687,830           | 701,028             | 1,986,802           | 70,103             |
| Sewer, W, Stm & Street Impr District # 1264 | 347,582             | 65,800              | 281,782             | 6,580              |
| Sewer, W, Stm & Street Impr District # 1265 | 1,762,132           | 1,185,679           | 576,454             | 83,590             |
| Street Impr District # 2216                 | 5,500,027           | 5,445,422           | 54,605              | 136,684            |
| Fiber Optic Plan                            | 369,785             | 173,803             | 195,982             | 17,380             |
| Street District # 2220                      | 256,667             | 256,667             | -                   | 5,133              |
| Street District #2226                       | 294,788             | 307,289             | (12,502)            | 15,364             |
| <b>Total</b>                                | <b>\$35,230,184</b> | <b>\$23,563,999</b> | <b>\$11,666,185</b> | <b>\$1,221,765</b> |

**NOTE 8: SUBSEQUENT EVENTS**

In April of 2014, the City Commission approved the issuance of the following bond issues:

- \$17,750,000 of Refunding Improvement Bonds of 2013, Series A. The bonds were issued to fund various construction projects: Sewer, Water, Street & Storm Improvement Districts #1248, #1249, #1251; Signal Light Projects #2220 and #2226; and, Street Improvement District #2228.

**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 component units' (library and airport) represented in prior years in the basic financial statements as component units were allocated for 2013 as special revenue funds (total non-major funds), and governmental activities.

The park fund was removed from total non-major special revenue funds as this fund was reclassified to an agency fund for 2013. A prior intergovernmental receivable existed in this fund in the prior year.

Additionally, adjustments were necessary to properly restate the beginning net position for prior period capital asset errors to governmental activities.

**CITY OF WEST FARGO**

Notes to the Financial Statements - Continued

The net effect of these adjustments to governmental net position and fund balances is outlined as follows:

| <b>Net Position Adjustments:</b>  | <b>Govt. Activities</b> |
|---|-------------------------|
| Net Position as previously reported   | \$ 83,812,817           |
| <b>Adjustments to restate the January 1, 2013 net position for various items as outlined below:</b> |                         |
| <u>Add Library/Airport &amp; Remove Park Fund:</u>  |                         |
| Library Cash  | 432,172                 |
| Library Taxes Receivable  | 9,672                   |
| Library Compensated Absences  | (54,656)                |
| Airport Cash  | 157,479                 |
| Airport Taxes Receivable  | 1,741                   |
| Airport Capital Assets -- cost  | 397,594                 |
| Airport Capital Assets -- cost  | (59,382)                |
| Remove park receivable -- state revenue sharing   | (201,651)               |
| <u>Capital Asset Prior Period Errors:</u>   |                         |
| Equipment - increase cost   | 524,707                 |
| Equipment -- increase accumulated depreciation  | (240,802)               |
| Construction in progress -- decrease cost   | (1,163,154)             |
| Net Position, January 1, 2013 as restated   | \$ 83,616,537           |

| <b>Fund Balance Adjustments:</b>   | <b>Total Funds</b> | <b>Non-Major Funds</b> |
|--|--------------------|------------------------|
| Fund Balances as previously reported   | \$25,466,755       | \$7,390,274            |
| <b>Adjustments to restate the January 1, 2013 fund balances as outlined below:</b> |                    |                        |
| Library Fund Balance   | 432,172            | 432,172                |
| Airport Fund Balance   | 157,479            | 157,479                |
| Remove park fund prior receivable  | (201,650)          | (201,650)              |
| Fund Balances, January 1, 2013 as restated   | \$25,854,756       | \$7,778,275            |

Water & Sewer Fund & Enterprise Activities:

Adjustments were necessary to the water and sewer fund, and activities for capital asset cost errors in equipment and infrastructure capital assets noted from prior years.

The net effect of these adjustments to enterprise business-type funds and activities net position is outlined as follows:

| <b>Enterprise Activities Net Position:</b>  | <b>Enterprise</b> |
|---|-------------------|
| Net Position as previously reported   | \$168,065,354     |
| <b>Adjustments to restate the January 1, 2013 net position for missed capital assets:</b> |                   |
| Equipment Cost  | 1,076             |
| Infrastructure Cost   | 6,784             |
| Net Position, January 1, 2013 as restated   | \$168,073,214     |

| <b>Water &amp; Sewer Fund Net Position:</b>   | <b>Water &amp; Sewer</b> |
|---|--------------------------|
| Water & Sewer Net Position, as previously reported  | \$164,746,058            |
| <b>Adjustments to restate the January 1, 2013 water &amp; sewer net position for missed capital assets:</b> |                          |
| Equipment Cost  | 1,076                    |
| Infrastructure Cost   | 6,784                    |
| Net Position Water & Sewer, January 1, 2013 as restated   | \$164,753,918            |

CITY OF WEST FARGO  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2013

|  | Original<br>Budget    | Final<br>Budget       | Actual               | Variance with<br>Final Budget |
|--|-----------------------|-----------------------|----------------------|-------------------------------|
| <u>Revenues:</u>   |                       |                       |                      |                               |
| Taxes  | \$ 5,229,255          | \$ 5,229,255          | \$ 5,169,583         | \$ (59,672)                   |
| Licenses, Permits & Fees                                     | 646,200               | 646,200               | 958,934              | 312,734                       |
| Intergovernmental  | 1,728,972             | 1,728,972             | 2,643,823            | 914,851                       |
| Fines, Forfeitures, & Penalties                              | 202,000               | 202,000               | 258,694              | 56,694                        |
| Interest Income  | 10,000                | 10,000                | 25,746               | 15,746                        |
| Miscellaneous  | 19,000                | 19,000                | 492,977              | 473,977                       |
| <b>Total Revenues</b>  | <b>\$ 7,835,427</b>   | <b>\$ 7,835,427</b>   | <b>\$ 9,549,757</b>  | <b>\$ 1,714,330</b>           |
| <u>Expenditures:</u>   |                       |                       |                      |                               |
| Current:   |                       |                       |                      |                               |
| General Government   | \$ 2,493,511          | \$ 2,522,974          | \$ 2,376,527         | \$ 146,447                    |
| Public Safety  | 4,872,597             | 4,900,525             | 4,725,507            | 175,018                       |
| Public Works/Streets   | 1,666,348             | 1,670,085             | 1,785,904            | (115,819)                     |
| <b>Total Expenditures</b>                                    | <b>\$ 9,032,456</b>   | <b>\$ 9,093,584</b>   | <b>\$ 8,887,938</b>  | <b>\$ 205,646</b>             |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>\$ (1,197,029)</b> | <b>\$ (1,258,157)</b> | <b>\$ 661,819</b>    | <b>\$ 1,919,976</b>           |
| <u>Other Financing Sources (Uses):</u>                       |                       |                       |                      |                               |
| Transfers In   | \$ 1,610,000          | \$ 1,610,000          | \$ 2,549,394         | \$ 939,394                    |
| Transfers Out  | (335,000)             | (1,335,000)           | (1,014,000)          | 321,000                       |
| <b>Total Other Financing Sources and Uses</b>                | <b>\$ 1,275,000</b>   | <b>\$ 275,000</b>     | <b>\$ 1,535,394</b>  | <b>\$ 1,260,394</b>           |
| <b>Net Changes in Fund Balances</b>                          | <b>\$ 77,971</b>      | <b>\$ (983,157)</b>   | <b>\$ 2,197,213</b>  | <b>\$ 3,180,370</b>           |
| <b>Fund Balance - January 1</b>                              | <b>\$ 10,992,596</b>  | <b>\$ 10,992,596</b>  | <b>\$ 10,992,596</b> | <b>\$ -</b>                   |
| <b>Fund Balance - December 31</b>                            | <b>\$ 11,070,567</b>  | <b>\$ 10,009,439</b>  | <b>\$ 13,189,809</b> | <b>\$ 3,180,370</b>           |

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

CITY OF WEST FARGO  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SALES TAX FUND  
For the Year Ended December 31, 2013

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| <u>Revenues:</u>                                     |                     |                     |                     |                               |
| Taxes  | \$ 2,400,000        | \$ 2,400,000        | \$ 3,786,905        | \$ 1,386,905                  |
| Interest Income                                      | -                   | -                   | 8,095               | 8,095                         |
| Total Revenues                                       | <u>\$ 2,400,000</u> | <u>\$ 2,400,000</u> | <u>\$ 3,795,000</u> | <u>\$ 1,395,000</u>           |
| <u>Expenditures:</u>                                 |                     |                     |                     |                               |
| Current:   | \$ -                | \$ 245,000          | \$ 245,000          | \$ -                          |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 2,400,000</u> | <u>\$ 2,155,000</u> | <u>\$ 3,550,000</u> | <u>\$ 1,395,000</u>           |
| <u>Other Financing Sources (Uses):</u>               |                     |                     |                     |                               |
| Transfers Out  | \$ (1,505,579)      | \$ (2,912,304)      | \$ (2,912,304)      | \$ -                          |
| Net Changes in Fund Balances                         | <u>\$ 894,421</u>   | <u>\$ (757,304)</u> | <u>\$ 637,696</u>   | <u>\$ 1,395,000</u>           |
| Fund Balance - January 1                             | <u>\$ 4,504,815</u> | <u>\$ 4,504,815</u> | <u>\$ 4,504,815</u> | <u>\$ -</u>                   |
| Fund Balance - December 31                           | <u>\$ 5,399,236</u> | <u>\$ 3,747,511</u> | <u>\$ 5,142,511</u> | <u>\$ 1,395,000</u>           |

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

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CITY OF WEST FARGO  
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2013

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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 1<sup>st</sup>. 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, 2013

|   | Balance<br>1-1-13       | Revenues               | Transfers<br>In        | Other Financing<br>Sources (net) | Transfers<br>Out       | Expenditures           | Balance<br>12-31-13     |
|---|-------------------------|------------------------|------------------------|----------------------------------|------------------------|------------------------|-------------------------|
| General Fund (Major)                          | \$ 6,517,372.58         | \$ 9,037,712.59        | \$ 1,755,352.94        | \$ -                             | \$ 14,000.00           | \$ 8,731,031.61        | \$ 8,565,406.50         |
| General Fund Reserve                          | 3,908,309.25            | 491,429.16             | 794,041.50             | -                                | 1,000,000.00           | 87,888.70              | 4,105,891.21            |
| <b>Total General Fund</b>                     | <b>\$ 10,425,681.83</b> | <b>\$ 9,529,141.75</b> | <b>\$ 2,549,394.44</b> | <b>\$ -</b>                      | <b>\$ 1,014,000.00</b> | <b>\$ 8,818,920.31</b> | <b>\$ 12,671,297.71</b> |
| <b>Special Revenue Funds:</b>                 |                         |                        |                        |                                  |                        |                        |                         |
| Sales Tax (Major)                             | \$ 4,195,426.13         | \$ 3,706,981.21        | \$ -                   | \$ -                             | \$ 2,912,304.00        | \$ 245,000.00          | \$ 4,745,103.34         |
| <b>Special Revenue Funds (Nonmajor):</b>      |                         |                        |                        |                                  |                        |                        |                         |
| City's Share of Specials                      | \$ (16,055.12)          | \$ 278,758.49          | \$ -                   | \$ -                             | \$ -                   | \$ 262,553.85          | \$ 149.52               |
| Fire Fund                                     | 83,212.40               | 664,716.56             | -                      | -                                | -                      | 650,000.00             | 97,928.96               |
| Building Fund                                 | 247,746.08              | 310,619.98             | -                      | -                                | -                      | 314,014.34             | 244,351.72              |
| Gaming Funds                                  | 14,596.15               | 6,863.13               | -                      | -                                | 10,000.00              | -                      | 11,459.28               |
| E-911   | 16,922.83               | 481,537.74             | -                      | -                                | -                      | 493,064.35             | 5,396.22                |
| Municipal Highway Fund                        | 551,006.10              | 2,944,705.91           | -                      | -                                | 1,983,627.67           | -                      | 1,512,084.34            |
| Lodging Tax                                   | 92,140.00               | 31,114.73              | -                      | -                                | -                      | 17,145.00              | 106,109.73              |
| FM Visitor's Bureau-Lodging                   | -                       | 12,302.29              | -                      | -                                | -                      | 12,302.29              | -                       |
| Police SWAT Entry Vest Reserve                | -                       | -                      | 1,000.00               | -                                | 1,000.00               | -                      | -                       |
| Otto Bremer Grant Crisis Training             | 22,040.23               | -                      | -                      | -                                | -                      | 8,957.74               | 13,082.49               |
| Police Siren Reserve                          | 14,155.65               | -                      | 3,500.00               | -                                | 14,327.05              | 3,328.60               | -                       |
| Police SWAT Reserve                           | 7,545.10                | -                      | 3,500.00               | -                                | 11,045.10              | -                      | -                       |
| Police Training Reserve                       | 34,187.00               | -                      | 6,000.00               | -                                | 40,187.00              | -                      | -                       |
| General Fund Police Equipment                 | 673.37                  | 0.85                   | -                      | -                                | 674.22                 | -                      | -                       |
| City Hall Remodeling                          | 57,049.20               | 61.78                  | -                      | -                                | 56,910.98              | 200.00                 | -                       |
| Vector Control                                | 11,153.05               | 73,247.07              | -                      | -                                | -                      | 98,005.30              | (13,605.18)             |
| Forestry                                      | 38,805.73               | 72,915.94              | -                      | -                                | -                      | 62,372.32              | 49,349.35               |
| Flood Control                                 | (56,985.62)             | 20,755.22              | -                      | -                                | -                      | -                      | (36,230.40)             |
| D.A.R.E.                                      | 10,338.86               | -                      | -                      | -                                | 10,338.86              | -                      | -                       |
| Evidence Police Department                    | 7,942.17                | 79.22                  | -                      | -                                | 8,021.39               | -                      | -                       |
| National Night Out (Night to Unite)           | (139.96)                | 5,551.35               | -                      | -                                | -                      | 5,305.91               | 105.48                  |
| Future Building                               | 5,795,717.78            | 36,324.99              | 2,788,586.51           | -                                | -                      | 424,118.27             | 8,196,511.01            |
| West Fest                                     | 16,463.81               | 22,846.47              | -                      | -                                | -                      | 19,577.81              | 19,732.47               |
| Cruise Night                                  | 2,462.57                | 9,000.00               | -                      | -                                | -                      | 6,859.78               | 4,602.79                |
| Asset Forfeitures                             | 35,693.77               | 22,675.80              | 11,012.81              | -                                | -                      | 37,135.35              | 32,247.03               |
| Library General (used to be CU)               | 432,172.36              | 721,555.34             | -                      | -                                | -                      | 763,527.44             | 390,200.26              |
| Library Memorials (used to be CU)             | -                       | 6,408.31               | -                      | -                                | -                      | -                      | 6,408.31                |
| Airport Authority (used to be CU)             | 100,469.75              | 116,395.34             | -                      | -                                | -                      | 143,531.85             | 73,333.24               |
| Airport Authority Bond Construction           | 57,009.52               | 54,034.84              | -                      | -                                | -                      | -                      | 111,044.36              |
| Economic Development                          | 8,655.75                | 22,526.58              | 50,000.00              | -                                | -                      | 25,000.00              | 56,182.33               |
| Change Fund                                   | 300.00                  | -                      | -                      | -                                | -                      | -                      | 300.00                  |
| <b>Total Special Revenue Funds (Nonmajor)</b> | <b>\$ 7,585,278.53</b>  | <b>\$ 5,914,997.93</b> | <b>\$ 2,863,599.32</b> | <b>\$ -</b>                      | <b>\$ 2,136,132.27</b> | <b>\$ 3,347,000.20</b> | <b>\$ 10,880,743.31</b> |
| <b>Total Special Revenue Funds</b>            | <b>\$ 11,780,704.66</b> | <b>\$ 9,621,979.14</b> | <b>\$ 2,863,599.32</b> | <b>\$ -</b>                      | <b>\$ 5,048,436.27</b> | <b>\$ 3,592,000.20</b> | <b>\$ 15,625,846.65</b> |
| <b>Debt Service Funds (Major):</b>            |                         |                        |                        |                                  |                        |                        |                         |
| 2011-C RIB                                    | \$ 649,720.77           | \$ 1,201,065.08        | \$ -                   | \$ -                             | \$ -                   | \$ 764,864.00          | \$ 1,085,921.85         |
| RIB 2011 B (recall 2004B)                     | 371,987.16              | 363,291.61             | -                      | -                                | -                      | 372,007.50             | 363,271.27              |
| 2005 A Refunding Improvement Bonds            | 887,600.16              | 3,117,958.43           | -                      | -                                | -                      | 759,047.50             | 3,246,511.09            |
| Sidewalk 6040 - 2004                          | 0.00                    | 687.32                 | -                      | -                                | 687.32                 | -                      | -                       |
| Sidewalk 6043 - 2006                          | 33,501.38               | 18,858.27              | -                      | -                                | -                      | 30,143.00              | 22,216.65               |
| Sidewalk 6042 - 2005                          | 50,988.63               | 14,568.79              | -                      | -                                | -                      | 29,169.25              | 36,388.17               |
| Sidewalk 6044 - 2007                          | 68,283.07               | 15,719.69              | -                      | -                                | -                      | 25,407.00              | 58,595.76               |
| 2008-B RIB                                    | 93,375.01               | 295,024.23             | -                      | -                                | -                      | 275,419.50             | 112,979.74              |
| 2008-C RIB                                    | 948,418.55              | 875,978.56             | -                      | -                                | -                      | 709,441.50             | 1,114,955.61            |
| 2009-A RIB (from 2001/2001c/2002)             | 1,717,177.50            | 697,147.67             | -                      | -                                | -                      | 870,313.00             | 1,544,012.17            |
| 2009-B RIB (from 2003C & 2003D)               | 1,059,501.78            | 682,659.71             | -                      | -                                | -                      | 894,934.50             | 847,226.99              |
| 2005-C Refunding Bonds                        | 597,799.47              | 388,568.77             | -                      | -                                | -                      | 548,884.00             | 437,484.24              |
| 2006 A RIB                                    | 378,032.08              | 604,190.89             | 300,000.00             | -                                | -                      | 798,866.50             | 483,356.47              |
| 2007A RIB                                     | 1,319,970.58            | 930,241.53             | -                      | -                                | -                      | 970,057.00             | 1,280,155.11            |
| 2007B RIB                                     | 451,977.86              | 1,223,798.96           | 300,000.00             | -                                | -                      | 614,012.00             | 1,361,764.82            |
| 2012 D Ref - 2008A RIB (from 2003B)           | 3,611,612.25            | 2,567.58               | -                      | -                                | 170,637.83             | 3,443,542.00           | -                       |
| G.O. Bonds 2009                               | 6,026.01                | 1,011.89               | 955,579.00             | -                                | -                      | 955,555.50             | 7,061.40                |
| Municipal Bonds 2009 NDPFA                    | 136,899.69              | 55,539.78              | -                      | -                                | -                      | 33,485.84              | 158,953.63              |
| 2009-C RIB                                    | 426,266.49              | 677,123.22             | -                      | -                                | -                      | 602,483.50             | 500,906.21              |

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, 2013

|  | Balance<br>1-1-13       | Revenues                | Transfers<br>In        | Other Financing<br>Sources (net) | Transfers<br>Out       | Expenditures            | Balance<br>12-31-13     |
|--|-------------------------|-------------------------|------------------------|----------------------------------|------------------------|-------------------------|-------------------------|
| CONTINUED....                                |                         |                         |                        |                                  |                        |                         |                         |
| <b>Debt Service Funds (Major):</b>           |                         |                         |                        |                                  |                        |                         |                         |
| 2010 A - RIB (refund of 2003E & 2004A)       | \$ 815,030.99           | \$ 1,162,592.86         | \$ -                   | \$ -                             | -                      | \$ 809,706.00           | \$ 1,167,917.85         |
| 2010 B - RIB                                 | 141,128.66              | 554,968.39              | -                      | -                                | -                      | 531,722.50              | 164,374.55              |
| Sidewalk Refunding Bonds 2010                | (9,278.75)              | 53,313.15               | -                      | -                                | -                      | 62,975.00               | (18,940.60)             |
| 2012 A-RIB                                   | 776,523.61              | 1,658,001.36            | -                      | -                                | -                      | 1,326,876.54            | 1,107,648.43            |
| 2012 Sidewalk Refunding Bonds                | 12,637.89               | 41,474.84               | -                      | -                                | -                      | 19,108.00               | 35,004.73               |
| 2012 C (Ref of 2005B & 2005D)                | 1,615,564.37            | 1,534,052.40            | 350,000.00             | -                                | -                      | 1,497,354.00            | 2,002,262.77            |
| 2012 D Special Assessment Bond               | 872,539.27              | 2,727,002.40            | 170,637.83             | -                                | -                      | 2,621,174.67            | 1,149,004.83            |
| 2012 Sales Tax Bonds                         | 35,956.86               | -                       | 298,702.88             | -                                | -                      | 105,469.50              | 229,190.24              |
| Reserve for 2012 Sales Tax Bonds             | 206,000.00              | -                       | -                      | -                                | -                      | -                       | 206,000.00              |
| 2013 A RIB                                   | -                       | 268,627.04              | -                      | 1,638,861.27                     | 1,008,156.00           | 339,276.55              | 560,055.76              |
| 2013B RIB                                    | -                       | 14,506.51               | -                      | 1,117,320.77                     | 816,814.00             | 55,700.00               | 259,313.28              |
| 2012 Sidewalk District (6050)                | -                       | -                       | -                      | -                                | 240,000.00             | -                       | (240,000.00)            |
| 2067   | 1,532,531.26            | 949.62                  | -                      | -                                | -                      | -                       | 1,533,480.88            |
| #6039 - Sidewalk 2003                        | 7,297.20                | 2,959.11                | -                      | -                                | -                      | 5,337.50                | 4,918.81                |
| TIF Bonds Sterling Industrial Park (to 3377) | 244,817.93              | 277,592.89              | -                      | -                                | 350,000.00             | -                       | 172,410.82              |
| TIF Butler (to 3360 and 3366)                | 155,888.84              | 553,139.63              | -                      | -                                | 600,000.00             | -                       | 109,028.47              |
| TIF Titan Machinery (to 3370)                | 19,294.52               | 104,125.03              | -                      | -                                | -                      | 50,682.50               | 72,737.05               |
| <b>Total Debt Service Funds</b>              | <b>\$ 19,235,071.09</b> | <b>\$ 20,119,307.21</b> | <b>\$ 2,374,919.71</b> | <b>\$ 2,756,182.04</b>           | <b>\$ 3,186,295.15</b> | <b>\$ 20,123,015.85</b> | <b>\$ 21,176,169.05</b> |
| <b>Capital Projects Funds (Major):</b>       |                         |                         |                        |                                  |                        |                         |                         |
| Capital Improvements                         | \$ 678,603.02           | \$ 107,587.12           | \$ 500,000.00          | \$ -                             | \$ 105,123.22          | \$ 332,365.61           | \$ 848,701.31           |
| Construction Testing                         | 3,099.27                | 5.91                    | -                      | -                                | -                      | -                       | 3,105.18                |
| 4050 Drain 45 Impr Phase II                  | (265,234.37)            | -                       | 313,542.59             | -                                | -                      | 48,308.22               | -                       |
| 4050 N Section 19 Regional Storm Lift        | -                       | -                       | -                      | -                                | -                      | 194,266.53              | (194,266.53)            |
| Meadow Ridge Pond Repair Fund                | -                       | 13,701.60               | -                      | -                                | -                      | -                       | 13,701.60               |
| 1225 South Pond @ the Reserve                | 191,237.90              | -                       | -                      | -                                | 15,960.49              | 175,277.41              | -                       |
| 4046 Section 29 (Houkom) Lift                | 446,323.23              | -                       | -                      | -                                | -                      | 200,119.30              | 246,203.93              |
| 4047 Section 20 Maple Ridge Storm            | 232,141.85              | -                       | -                      | -                                | -                      | 312,086.97              | (79,945.12)             |
| 2215 7th Str & 32nd to 40th Street Impr      | (1,354,083.99)          | -                       | -                      | 1,821,000.00                     | 5,472.89               | 461,443.12              | -                       |
| 2216 Veterans Blvd 32nd to 40th              | (276,953.66)            | -                       | -                      | 3,120,000.00                     | -                      | 2,887,834.64            | (44,788.30)             |
| 2221 Shiloh Street Impr                      | (395,261.59)            | -                       | -                      | 449,000.00                       | 7,515.91               | 46,222.50               | -                       |
| 2222 The Yards Street Impr                   | (154,600.93)            | -                       | -                      | 212,000.00                       | 20,856.32              | 36,542.75               | -                       |
| 2223 Elmwood Ct Overlay Impr                 | (373.62)                | -                       | -                      | 1,261,000.00                     | 6,065.54               | 1,254,560.84            | -                       |
| 2224 Tintes/Burlington Overlay Impr          | (630,738.52)            | -                       | -                      | 701,000.00                       | 3,388.96               | 66,872.52               | -                       |
| 2225 Eagle Run Overlay                       | (373.62)                | -                       | 2,211.18               | 1,409,000.00                     | -                      | 1,410,837.56            | -                       |
| 2220 Veterans Blvd Traffic Signal 23 &26     | (261,800.42)            | 122,775.21              | -                      | -                                | -                      | -                       | (139,025.21)            |
| 2219 7th Ave - 17th to 45th Street Impr.     | -                       | -                       | -                      | -                                | -                      | 83,436.86               | (83,436.86)             |
| Main Ave Phase 2 NDU-8-010(031)935           | (4,245,631.48)          | -                       | -                      | 5,071,000.00                     | -                      | 956,586.70              | (131,218.18)            |
| 1237 Maple Ridge 2nd Impr                    | (1,469,925.35)          | -                       | -                      | 1,676,000.00                     | 6,372.79               | 199,701.86              | -                       |
| 1238 Wild's 2nd Improvements                 | (3,529,059.82)          | -                       | -                      | 4,016,000.00                     | 27,822.60              | 459,117.58              | -                       |
| 1235 Bluestem & 31st Str Impr                | (711,391.02)            | -                       | -                      | 801,000.00                       | 25,350.08              | 64,258.90               | -                       |
| 1239 Shilo St & 23rd Impr                    | (51,001.40)             | -                       | -                      | 59,000.00                        | 10.40                  | 7,988.20                | -                       |
| 1240 Oakridge 2nd Improvements               | (463,072.53)            | -                       | -                      | 517,000.00                       | 2,612.89               | 51,314.58               | -                       |
| 1241 Montgomery Homestead Impr               | (14,377.74)             | -                       | -                      | 366,000.00                       | -                      | 318,402.41              | 33,219.85               |
| 1242 Christianson's 1st Ph III Impr          | (529,172.14)            | -                       | -                      | 577,000.00                       | 2,262.28               | 45,565.58               | -                       |
| 1243 Shadow Creed 3rd Impr                   | (2,095,141.42)          | -                       | -                      | 3,460,000.00                     | -                      | 1,331,728.13            | 33,130.45               |
| 1244 Improvement District                    | (625,365.95)            | -                       | -                      | 1,231,000.00                     | 6,117.20               | 599,516.85              | -                       |
| 12th Ave N-45th Str to Cty 19 Impr           | (4,091.22)              | -                       | -                      | -                                | -                      | 64,621.20               | (68,712.42)             |
| 1247 S Pond @ Preserve 6th                   | -                       | -                       | -                      | 1,032,000.00                     | -                      | 1,054,103.38            | (22,103.38)             |
| 1248 River's Bend @ the Preserve             | -                       | -                       | -                      | -                                | -                      | 4,655,152.99            | (4,655,152.99)          |
| 1249 Brooks Harbor                           | -                       | -                       | -                      | -                                | -                      | 4,641,090.14            | (4,641,090.14)          |
| 1250 N Pond @ Preserve 3rd                   | -                       | -                       | 1,013.16               | 417,000.00                       | -                      | 418,013.16              | -                       |
| 1251 Eaglewood 2nd                           | -                       | -                       | -                      | -                                | -                      | 2,726,198.93            | (2,726,198.93)          |
| 1252 Strawberry Fields                       | -                       | -                       | -                      | 430,000.00                       | 7,044.21               | 422,955.79              | -                       |
| 1254 S Pond @ Preserve 7th                   | -                       | -                       | -                      | 311,000.00                       | -                      | 308,579.99              | 2,420.01                |
| 1255 Shadowwood 4th                          | -                       | -                       | -                      | 287,000.00                       | 46,856.59              | 240,143.41              | -                       |
| 1256 Charleswood 29th                        | -                       | -                       | 5,388.75               | 306,000.00                       | -                      | 311,388.75              | -                       |
| 1257 Oakridge 4th                            | -                       | -                       | -                      | -                                | -                      | 743,923.71              | (743,923.71)            |
| 1253 Lagoon Impr Phase I & II                | -                       | -                       | -                      | -                                | -                      | 1,818,621.77            | (1,818,621.77)          |
| 1258 Brooks Harbor 2nd                       | -                       | -                       | -                      | -                                | -                      | 1,302,081.14            | (1,302,081.14)          |
| 1259 Shadow Creek 5th                        | -                       | -                       | -                      | -                                | -                      | 632,055.67              | (632,055.67)            |

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, 2013

|   | Balance<br>1-1-13        | Revenues                | Transfers<br>In        | Other Financing<br>Sources (net) | Transfers<br>Out       | Expenditures            | Balance<br>12-31-13      |
|---|--------------------------|-------------------------|------------------------|----------------------------------|------------------------|-------------------------|--------------------------|
| CONTINUED....                               |                          |                         |                        |                                  |                        |                         |                          |
| <b>Capital Projects Funds (Major):</b>      |                          |                         |                        |                                  |                        |                         |                          |
| 1262 West Creek 1st                         | \$ -                     | \$ -                    | \$ -                   | \$ -                             | \$ -                   | \$ 1,071,660.93         | \$ (1,071,660.93)        |
| 1263 The Wild's 3rd & 4th                   | -                        | -                       | -                      | -                                | -                      | 519,383.15              | (519,383.15)             |
| 6020 2012 Sidewalk Impr                     | (173,149.37)             | -                       | 240,000.00             | -                                | 26,292.42              | 40,558.21               | -                        |
| Charleswood 31st                            | -                        | -                       | -                      | -                                | -                      | 19,263.17               | (19,263.17)              |
| 1262 Phase II West Creek 1st                | -                        | -                       | -                      | -                                | -                      | 23,625.02               | (23,625.02)              |
| 1261 West Butler                            | -                        | -                       | -                      | -                                | -                      | 20,000.00               | (20,000.00)              |
| 1265 Goldenwood 5th (Brentwood)             | -                        | -                       | -                      | -                                | -                      | 1,255,231.35            | (1,255,231.35)           |
| 1266 33rd Ave & 6th Street                  | -                        | -                       | -                      | -                                | -                      | 37,362.03               | (37,362.03)              |
| 2226 Signal 9th Str & 19th Avenue           | -                        | -                       | -                      | -                                | -                      | 316,443.34              | (316,443.34)             |
| 2228 9th Street W (23 Ave W-30th A West)    | -                        | -                       | -                      | -                                | -                      | 1,565,647.78            | (1,565,647.78)           |
| 2231 Dakota Territory 5th                   | -                        | -                       | -                      | -                                | -                      | 112.34                  | (112.34)                 |
| 7073 Str Ligh 13 A (Shey-17th) 8992(035)035 | -                        | -                       | -                      | -                                | -                      | 63,102.66               | (63,102.66)              |
| Fiber Optic Plan                            | -                        | -                       | -                      | -                                | -                      | 69,759.41               | (69,759.41)              |
| 4044 Storm Water Section 19                 | 133,325.07               | -                       | -                      | -                                | -                      | 291,159.52              | (157,834.45)             |
| <b>Total Capital Projects Funds</b>         | <b>\$(15,786,244.66)</b> | <b>\$ 244,069.84</b>    | <b>\$ 1,282,330.52</b> | <b>\$ 29,530,000.00</b>          | <b>\$ 315,124.79</b>   | <b>\$ 36,176,594.56</b> | <b>\$(21,221,563.65)</b> |
| <b>Total Governmental Funds</b>             | <b>\$ 25,655,212.92</b>  | <b>\$ 39,514,497.94</b> | <b>\$ 9,070,243.99</b> | <b>\$ 32,286,182.04</b>          | <b>\$ 9,563,856.21</b> | <b>\$ 68,710,530.92</b> | <b>\$ 28,251,749.76</b>  |
| <b>Enterprise Funds:</b>                    |                          |                         |                        |                                  |                        |                         |                          |
| Sewer and Water Operating                   | \$ 3,714,927.28          | \$ 5,303,399.75         | \$ 50,000.00           | \$ -                             | \$ 259,465.66          | \$ 4,652,367.33         | \$ 4,156,494.04          |
| City Utility                                | 98,723.93                | 180,861.20              | -                      | -                                | 50,000.00              | -                       | 229,585.13               |
| Repl & Deprec. SWOP                         | 30,000.00                | -                       | -                      | -                                | -                      | -                       | 30,000.00                |
| Sewage Surcharge                            | 263,917.86               | 7,951.84                | -                      | -                                | -                      | -                       | 271,869.70               |
| 2012 Ref Water/Sewer Reserve (2005)         | 665,660.22               | -                       | -                      | -                                | -                      | -                       | 665,660.22               |
| Water/Sewer 2009 Reserve                    | 601,646.26               | -                       | -                      | -                                | -                      | -                       | 601,646.26               |
| 2013 Water Meter Replacement Project        | -                        | 36,531.80               | 462,243.66             | -                                | -                      | 498,775.46              | -                        |
| SWOP Equipment                              | 23,782.66                | -                       | -                      | -                                | 5,175.68               | 18,606.98               | -                        |
| South Facilities Hookup                     | 1,246,984.61             | 19,828.31               | 388,489.00             | -                                | 102,778.00             | 175,560.00              | 1,376,963.92             |
| 1208 Water Treatment Plant                  | (292,776.59)             | -                       | -                      | -                                | -                      | 44,144.91               | (336,921.50)             |
| WP-Well # 9 & #12 Rehabilitation            | -                        | -                       | -                      | -                                | -                      | 324,700.46              | (324,700.46)             |
| Well #14 Construction                       | -                        | -                       | -                      | -                                | -                      | 2,667.60                | (2,667.60)               |
| <b>Total Sewer and Water</b>                | <b>\$ 6,352,866.23</b>   | <b>\$ 5,548,572.90</b>  | <b>\$ 900,732.66</b>   | <b>\$ -</b>                      | <b>\$ 417,419.34</b>   | <b>\$ 5,716,822.74</b>  | <b>\$ 6,667,929.71</b>   |
| Sanitation & Street Bldg Fund               | \$ 207,162.51            | \$ -                    | \$ 22,432.03           | \$ -                             | \$ -                   | \$ 229,594.54           | \$ -                     |
| Health and Sanitation Operating             | 1,323,481.36             | 2,604,720.95            | -                      | -                                | -                      | 2,415,159.59            | 1,513,042.72             |
| Sanitation Equip Maint Reserve              | 79,280.00                | 700.00                  | -                      | -                                | 12,133.13              | 67,846.87               | -                        |
| <b>Total Health and Sanitation</b>          | <b>\$ 1,609,923.87</b>   | <b>\$ 2,605,420.95</b>  | <b>\$ 22,432.03</b>    | <b>\$ -</b>                      | <b>\$ 12,133.13</b>    | <b>\$ 2,712,601.00</b>  | <b>\$ 1,513,042.72</b>   |
| <b>Total Enterprise Funds</b>               | <b>\$ 7,962,790.10</b>   | <b>\$ 8,153,993.85</b>  | <b>\$ 923,164.69</b>   | <b>\$ -</b>                      | <b>\$ 429,552.47</b>   | <b>\$ 8,429,423.74</b>  | <b>\$ 8,180,972.43</b>   |
| <b>Total Govt. &amp; Enterprise Funds</b>   | <b>\$ 33,618,003.02</b>  | <b>\$ 47,668,491.79</b> | <b>\$ 9,993,408.68</b> | <b>\$ 32,286,182.04</b>          | <b>\$ 9,993,408.68</b> | <b>\$ 77,139,954.66</b> | <b>\$ 36,432,722.19</b>  |
| <b>Agency Funds:</b>                        |                          |                         |                        |                                  |                        |                         |                          |
| Park Sp Assmt 2003-1                        | \$ -                     | \$ 8,326.74             | \$ -                   | \$ -                             | \$ -                   | \$ 8,326.74             | \$ -                     |
| Park  | -                        | 1,650,397.70            | -                      | -                                | -                      | 1,650,397.70            | -                        |
| Shadowwood Pk Sp.2010                       | -                        | 23,821.73               | -                      | -                                | -                      | 23,821.73               | -                        |
| 2011 Maple Ridge Park Special Assmts        | -                        | 31,107.60               | -                      | -                                | -                      | 31,107.60               | -                        |
| 2011-1 Park Impr District                   | -                        | 130,947.16              | -                      | -                                | -                      | 130,947.16              | -                        |
| Park Sp Assmt 2007-1                        | -                        | 15,844.23               | -                      | -                                | -                      | 15,844.23               | -                        |
| Community Dev. Block Grant                  | 1,917.44                 | 3.67                    | -                      | -                                | -                      | -                       | 1,921.11                 |
| Tree Planting                               | 265,488.82               | 82,611.62               | -                      | -                                | -                      | 31,160.00               | 316,940.44               |
| Marvin Windows Escrow Sp Assmts             | 170,658.00               | -                       | -                      | -                                | -                      | -                       | 170,658.00               |
| Marcil Job Training Loan                    | 9,677.44                 | 70,936.66               | -                      | -                                | -                      | 63,562.10               | 17,052.00                |
| Titan Job Training Grant 5%                 | 547.95                   | 29,116.00               | -                      | -                                | -                      | 27,660.20               | 2,003.75                 |
| Energy Grant                                | 15,800.00                | -                       | -                      | -                                | -                      | -                       | 15,800.00                |
| Downtown Business Association               | -                        | 6,000.00                | -                      | -                                | -                      | -                       | 6,000.00                 |
| Windsor Green Subdivision                   | 15,910.81                | -                       | -                      | -                                | -                      | -                       | 15,910.81                |
| Eagle Run 8th-Land Development              | 118,516.89               | -                       | -                      | -                                | -                      | -                       | 118,516.89               |
| Bourd's Subdivision                         | 21,739.37                | -                       | -                      | -                                | -                      | -                       | 21,739.37                |
| <b>Total Agency Funds</b>                   | <b>\$ 620,256.72</b>     | <b>\$ 2,049,113.11</b>  | <b>\$ -</b>            | <b>\$ -</b>                      | <b>\$ -</b>            | <b>\$ 1,982,827.46</b>  | <b>\$ 686,542.37</b>     |
| <b>Total Primary Government</b>             | <b>\$ 34,238,259.74</b>  | <b>\$ 49,717,604.90</b> | <b>\$ 9,993,408.68</b> | <b>\$ 32,286,182.04</b>          | <b>\$ 9,993,408.68</b> | <b>\$ 79,122,782.12</b> | <b>\$ 37,119,264.56</b>  |
| <b>Total Reporting Entity</b>               | <b>\$ 34,238,259.74</b>  | <b>\$ 49,717,604.90</b> | <b>\$ 9,993,408.68</b> | <b>\$ 32,286,182.04</b>          | <b>\$ 9,993,408.68</b> | <b>\$ 79,122,782.12</b> | <b>\$ 37,119,264.56</b>  |

**STATE AUDITOR**

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

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

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Independent Auditor's Report

City Commission  
City of West Fargo  
West Fargo, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo as of and for the year ended December 31, 2013, 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 July 30, 2014.

**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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency [2013-01].

## **CITY OF WEST FARGO**

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

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### **Compliance and Other Matters**

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

### **City of West Fargo's Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
July 30, 2014

CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013

**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? | _____ X Yes | _____ None noted   |
| Noncompliance material to financial statements noted?                         | _____ Yes   | _____ X None noted |

**Section II - Financial Statement Findings**

|   |
|---|
| <b>2013-01 – CAPITAL ASSET PRIOR PERIOD ADJUSTMENTS</b> |
|---|

**Condition:**

Prior period adjustments to capital assets were necessary to properly report the beginning amounts of governmental activities, business-type activities, and proprietary funds net position. The prior period adjustments were necessary for various accumulated prior period capital asset cost and accumulated depreciation errors related to equipment, and construction in progress for governmental activities, and to infrastructure and equipment for enterprise funds and activities. The amount of prior period adjustments for governmental activities cost and accumulated depreciation totaled a net decrease of \$879,248 to beginning net position, and business-type activities and enterprise funds totaled a net increase of \$6,860 to beginning net position. Governmental activities adjustments to capital assets cost totaled a net decrease of \$638,446, while the accumulated depreciation errors totaled an increase of \$240,802 to depreciation. Business-type activities adjustments to capital assets cost totaled an increase of \$7,860 to beginning net position, and to beginning water/sewer fund net position. The prior period adjustments were properly reported and disclosed by the client.

**Criteria:**

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

**CITY OF WEST FARGO**

Schedule of Findings and Questioned Costs - Continued

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**Effect:**

The amount of prior period adjustments necessary to properly restate beginning net position related to capital assets for governmental activities totaled a net decrease of \$879,248 to capital assets/net position, and a net increase to business-type activities totaling \$6,860 beginning net position. Total cost errors were a decrease to construction of progress of \$1,163,153, and an increase to equipment totaling \$524,707. The adjustments to beginning equipment accumulated depreciation totaled an increase of \$240,802 to beginning accumulated depreciation. The adjustments also affected enterprise funds causing the same increase to the water and sewer fund net position totaling \$6,860.

**Cause:**

Majority of the misstatement was due to an erroneous entry of original construction in progress reported amounts in years prior to 2013, and for improper amounts reported for equipment in prior years capital asset cost and accumulated depreciation. Also, there was a lack of reconciliation of the capital asset listing to the department head listing of inventory at or near year-end prior to 2013. Capital asset records were not being reviewed by another individual besides the preparer.

**Recommendation:**

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

**Views of Responsible Officials:**

City of West Fargo agrees with the recommendation. Steps will be taken as necessary to ensure proper maintenance of capital asset records related to applicable categories of capital assets so that large prior period adjustments related to capital assets are not necessary in future audits. The City began doing detailed reconciliations of capital assets for 2013 year-end and will continue this practice in future years.