

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 2011



CITY OF WEST FARGO
West Fargo, North Dakota

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CITY OF WEST FARGO
West Fargo, North Dakota

CITY OFFICIALS

December 31, 2011

President / Mayor	Rich Mattern
Vice-President	Mark Simmons
Commissioner	Lou Bennett
Commissioner	Mike Thorstad
Commissioner	Duane Hanson
City Administrator	Jim Brownlee
Finance Director	Tina Gustafson
City Attorney	Brian Neugebauer

STATE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT

City of West Fargo
West Fargo, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Fargo's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of December 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, 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* and should be considered in assessing the results of our audit.

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 through 12 and 42 through 43 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.

CITY OF WEST FARGO

Independent Auditor's Report – Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Fargo's financial statements. The schedule of fund activity and the schedule of expenditures of federal awards, as required by Office of Management Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.



Robert R. Peterson
State Auditor

November 7, 2012

CITY OF WEST FARGO
West Fargo, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011

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, 2011. 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

- The total net assets of governmental activities of the City of West Fargo increased by \$645,193 as a result of current year operations, or 1.05%. The increase is primarily due to an increase in capital assets construction in progress combined with a transfer of capital assets to business-type activities.
- Net assets of the business-type activities increased by \$10,211,480 or 8%. The increase is primarily due to a transfer of capital assets from the governmental funds of \$13,429,373.
- Total revenues from all sources were \$29,836,725 (excluding bond premium) for governmental activities on the statement of activities and \$30,758,179 on the modified accrual basis. Total revenues from all sources were \$6,574,608 for business-type activities.
- Total cost of all programs was \$25,622,046 consisting of \$15,829,545 for governmental activities and \$9,792,501 for business-type activities. This is a total decrease of \$251,930 for governmental activities and an increase of \$370,757 for enterprise business-type activities over 2010.
- Governmental net capital assets totaled \$95,092,595 at December 31, 2011, and business-type capital assets totaled \$147,108,994 for a total of \$242,201,589.
- Governmental expenditures exceeded revenues by \$32,767,575 in the fund-based statements due to spending \$29.16 million on infrastructure projects construction in progress. Governmental activities expenses exceeded revenue by \$645,193 (after transfers to enterprise activities).
- Unassigned fund balance for the General Fund was \$8,274,597 or 105% of the total 2011 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.

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

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

The *Statement of Activities* presents information on how the City's *net assets* changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net assets 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 Assets and the Statement of Activities present information as follows:

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

Fund financial statements

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

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

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

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

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

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

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

Fiduciary Funds – the City of West Fargo is responsible for other assets that are held on behalf of others. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. 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 following two tables' present condensed information on the City's Net Assets and Changes in Net Assets for the fiscal year ended December 31, 2011. As noted earlier, net assets 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 \$200,132,133 at the close of the most recent fiscal year consisting of \$62,070,696 for governmental activities, and \$138,061,437 for business-type enterprise activities. The City of West Fargo's net assets 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 assets for specified purposes, and unrestricted net assets. 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 ASSETS
December 31, 2011

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets	\$ 2,064,443	\$ 8,205,956	\$ 10,270,399
Noncurrent Assets	74,319,507	-	74,319,507
Capital Assets (net of accumulated depreciation)	95,092,595	147,108,994	242,201,589
Total Assets	<u>\$171,476,545</u>	<u>\$155,314,950</u>	<u>\$326,791,495</u>
LIABILITIES:			
Current Liabilities	\$ 14,999,001	\$ 684,020	\$ 15,683,021
Long-Term Liabilities	94,406,848	16,569,492	110,976,340
Total Liabilities	<u>\$109,405,849</u>	<u>\$ 17,253,512</u>	<u>\$126,659,361</u>
NET ASSETS:			
Invested in Capital Assets, net of Related Debt	\$ (8,436,405)	\$130,408,994	\$121,972,589
Restricted	93,865,293	-	93,865,295
Unrestricted	(23,358,192)	7,652,443	(15,705,751)
Total Net Assets	<u>\$ 62,070,696</u>	<u>\$138,061,437</u>	<u>\$200,132,133</u>

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE 1
NET ASSETS
December 31, 2010

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets	\$ 11,647,506	\$ 10,394,071	\$ 22,041,577
Noncurrent Assets	74,091,996	-	74,091,996
Capital Assets (net of accumulated depreciation)	82,807,071	135,176,179	217,983,250
Total Assets	<u>\$168,546,573</u>	<u>\$145,570,250</u>	<u>\$314,116,823</u>
LIABILITIES:			
Current Liabilities	\$ 11,949,357	\$ 681,832	\$ 12,631,189
Long-Term Liabilities	95,153,428	17,038,461	112,191,889
Total Liabilities	<u>\$107,102,785</u>	<u>\$ 17,720,293</u>	<u>\$124,823,078</u>
NET ASSETS:			
Invested in Capital Assets, net of Related Debt	\$ (22,583,929)	\$117,828,734	\$ 95,244,805
Restricted	69,436,953	-	69,436,953
Unrestricted	14,590,765	10,021,223	24,611,988
Total Net Assets	<u>\$ 61,443,789</u>	<u>\$127,849,957</u>	<u>\$189,293,746</u>

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 1,221,904	\$ 6,078,644	\$ 7,300,548
Operating Grants & Contributions	2,962,554	-	2,962,554
Capital Grants & Contributions	13,922,563	-	13,922,563
General Revenues:			
Taxes	8,821,815	-	8,821,815
State Aid & Unrestricted Grants	2,625,404	-	2,625,404
Interest Earnings	113,078	12,745	125,823
Miscellaneous Revenue & Premium	236,793	483,219	720,012
Total Revenues	<u>\$ 29,904,111</u>	<u>\$ 6,574,608</u>	<u>\$ 36,478,719</u>
Expenses			
General Government	\$ 3,086,373	\$ -	\$3,086,373
Public Safety	5,678,972	-	5,678,972
Highways and Streets	2,317,370	-	2,317,370
Culture and Recreation	672,775	-	672,775
Economic Development	91,489	-	91,489
Interest and Service Charges	3,982,566	-	3,982,566
Sanitation	-	1,798,328	1,798,328
Water and Sewer	-	7,994,173	7,994,173
Total Expenses	<u>\$ 15,829,545</u>	<u>\$ 9,792,501</u>	<u>\$ 25,622,046</u>
Excess before transfers	14,074,566	\$ (3,217,893)	\$ 10,856,673
Transfers	(13,429,373)	\$ 13,429,373	\$ -
Net Assets – January 1	\$ 61,443,788	\$127,849,957	\$189,293,745
Prior Period Adjustment	(18,285)	-	(18,285)
Net Assets – January 1, as restated	<u>\$ 61,425,503</u>	<u>\$127,849,956</u>	<u>\$189,293,744</u>
Net Assets – December 31	<u>\$ 62,070,696</u>	<u>\$138,061,436</u>	<u>\$200,132,133</u>

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 1,138,207	\$ 5,707,310	\$ 6,845,517
Operating Grants & Contributions	488,176	-	488,176
Capital Grants & Contributions	17,415,115	-	17,415,115
<u>General Revenues:</u>			
Taxes	8,307,969	-	8,307,969
State Aid	832,682	-	832,682
Interest Earnings	300,336	40,320	340,656
Miscellaneous Revenue	339,202	192,442	531,644
Total Revenues	<u>\$28,821,687</u>	<u>\$ 5,940,072</u>	<u>\$ 34,761,759</u>
Expenses			
General Government	\$ 2,704,178	\$ -	\$ 2,704,178
Public Safety	5,217,220	-	5,217,220
Highways and Streets	3,053,650	-	3,053,650
Culture and Recreation	252,565	-	252,565
Conserv. of Resources	82,971	-	82,971
Economic Development	39,482	-	39,482
Other	779,246	-	779,246
Interest and Service Charges	3,952,163	-	3,952,163
Sanitation	-	1,787,031	1,787,031
Water and Sewer	-	7,634,713	7,634,713
Total Expenses	<u>\$16,081,475</u>	<u>\$ 9,421,744</u>	<u>\$ 25,503,219</u>
Excess before transfers	<u>\$12,740,212</u>	<u>\$ (3,481,672)</u>	<u>\$ 9,258,540</u>
Transfers	<u>\$ (2,956,724)</u>	<u>\$ 2,956,729</u>	<u>\$ -</u>
Net Assets – January 1	<u>\$53,041,728</u>	<u>\$126,528,020</u>	<u>\$179,569,748</u>
Prior Period Adjustment	<u>(1,381,423)</u>	<u>1,846,879</u>	<u>465,456</u>
Net Assets – January 1, as restated	<u>\$51,660,305</u>	<u>\$128,374,899</u>	<u>\$180,035,204</u>
Net Assets – December 31	<u>\$61,443,778</u>	<u>\$127,849,956</u>	<u>\$189,293,744</u>

A portion of the City of West Fargo's governmental activities net assets totaling \$93,865,293 represents resources that are subject to external restrictions on how they may be used (debt service, highways & streets, public safety, economic development, and culture & recreation. Amounts shown as invested in capital assets, net of related debt amounted to a net positive balance of \$121,972,589 (governmental activities negative \$8,436,405 & business type activities positive total of \$130,408,994). These net assets 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 assets* is a negative amount of (\$15,705,751) may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net assets of business type activities was positive \$7,652,243 and the governmental activities was negative (\$23,358,192). At the end of the 2011, the City of West Fargo is able to report positive balances of net assets for the government as a whole in two categories, and one 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 assets increased by a total of \$10,856,673 (5.7%) for the year ended December 31, 2011. The main reason for the increase was the expenditures of \$29.16 million in capital construction. Governmental program revenues for governmental operating grants and contributions increased by \$2.5 million for increases in flood related projects, highway tax distribution, and state revenue sharing. Capital grants and contributions decreased by \$3.5 million. Additionally, a \$13.43 million transfer of infrastructure from governmental activities to business-type activities was done for completed projects.

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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement 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 \$8,274,597. The remainder of unassigned fund balances is negative (\$31,369,800) for large negative cash amounts primarily reported in capital projects funds. It is noted that each capital project fund is eventually zeroed out from transfers in and debt proceeds. Debt isn't issued for capital projects funds until the projects are well under way or nearly completed and have incurred significant costs. As of the end of the current fiscal year, the City of West Fargo's governmental funds reported combined ending fund balances of negative (\$3,227,075). \$99,575 of fund balance has been reported as non-spendable for the loan receivable reported in the general fund. The remainder of fund balance (other than unassigned) totaling \$19,768,153 is *restricted or committed* to indicate that it is not available for new spending because it has already been restricted for general government (\$1,741,734), public safety (\$278,951), public works/streets (\$634,998), culture & recreation (\$427,101), economic development (\$47,577), and committed from sales tax revenues (\$3,531,983), and to pay debt service (\$13,105,810) 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 \$8,274,597. Unassigned fund balance represented 105% of total 2011 general fund expenditures.

The fund balance of the City of West Fargo's general fund increased \$2,013,738 during the current fiscal year. The general fund balance increase was due to transfers in of \$1,987,910 from construction funds for administration. Total fund balances decreased by \$12,306,777 primarily due to spending \$29.16 million on capital projects that exceeded revenues and financing sources by \$10.22 million.

The fund balance of the sales tax fund decreased by \$4.57 million due to large transfers out of \$7.47 million to capital projects funds and debt service funds. The ending fund balance of the sales tax fund was \$3,531,983.

The debt service fund has a total fund balance of \$13,105,810, all of which is restricted for the payment of debt service.

Proprietary Funds

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

Unrestricted net assets equity of the Health and Sanitation Fund totaled \$1,093,312 for Health and Sanitation Funds, and \$6,559,131 for Water and Sewer Funds for a total of \$7,652,443. Net unrestricted assets equity decreased by \$2,368,780 primarily due to an increase in operating expenses (primarily depreciation). Net assets equity invested in capital assets net of related debt was \$1,592,643 for the Health & Sanitation Fund and \$128,816,351 in the Water & Sewer Fund for a total of \$130,408,994. The net total overall growth in net assets equity for these funds was \$10,211,479. The entirety of this increase is attributable to a transfer of capital assets from governmental activities of over \$13 million.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

General Fund Budgetary Highlights

The city did amend the original general budget (reserve) expenditures by \$83,867 to a total general fund expenditure budget of \$8,083,276.

- Revenue was more than expected amounts by \$996,015 (14.4%).
- Expenditures were below appropriations by \$203,079 in the general fund, or 2.5%. There were no transfers out.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The City of West Fargo's investment in capital assets for its governmental (\$95,092,595) and business-type (\$147,108,994) activities as of December 31, 2011, amounted to \$242,201,589 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, machinery and equipment, and construction in progress. This is an increase of \$24.22 million, or 11.1% from 2010 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 a large Main Avenue project and the 9th Street Interchange.

TABLE III
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2011 and 2010

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 5,925,756	\$ 774,500	\$ 6,700,256	\$ 5,925,756	\$ 774,500	\$ 6,700,256
Buildings	1,242,500	2,085,535	3,328,035	1,292,607	2,146,529	3,439,136
Land Improvements	-	-	-	-	187,588	187,588
Equipment	879,277	1,427,568	2,306,845	953,881	1,270,948	2,224,829
Infrastructure	57,420,421	137,761,828	195,182,249	57,783,385	125,737,050	183,520,436
Construction in Progress	29,624,641	5,059,563	34,684,204	16,851,442	5,059,563	21,911,005
Total Capital Assets	\$95,092,595	\$147,108,994	\$242,201,589	\$82,807,071	\$135,176,179	\$217,983,250

Long-Term Debt

At year-end the City had total debt in governmental activities and enterprise activities of \$120,229,000 (excluding compensated absences), a net overall decrease of \$2,509,445 (2.04%) 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 \$17,920,000. This debt was issued to retire two other outstanding bond issues with higher interest rates to obtain substantial debt cost savings over the life of the new bonds, and to issue debt for various special assessment capital construction projects. The City defeased debt totaled \$9,770,000 and debt payments totaled approximately \$10.6 million for 2011.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

During the year ended December 31, 2011, the City's bond rating is at Aa-3

**TABLE IV
OUTSTANDING LONG-TERM DEBT**

As of December 31, 2011

	Total			Total	
	Outstanding			Outstanding	Due Within
	Dec. 31, 2010	Increases	Decreases	Dec. 31, 2011	One Year
Governmental Activities:					
G.O. Bonds Payable	\$ 10,265,000	\$ -	\$ 440,000	\$ 9,825,000	\$ 760,000
Revenue Bonds	755,000	-	755,000	-	-
Special Assessment Bonds	94,371,000	17,920,000	18,587,000	93,704,000	9,199,000
Compensated Absences	632,698	297,133	-	929,831	92,983
Total Governmental Activities	\$106,023,698	\$18,217,133	\$19,782,000	\$104,458,831	\$ 10,051,983
Business-Type Activities:					
Sewer Bonds	\$ 17,180,000	\$ -	\$ 480,000	\$ 16,700,000	\$ 500,000
Contracts Payable	167,445	-	167,445	-	-
Compensated Absences	225,434	185,112	-	410,546	41,054
Total Business-Type Activities	\$ 17,572,879	205,402	647,445	\$ 17,110,546	541,054
Total Long-Term Debt	\$123,596,577	\$18,422,535	\$20,429,445	\$121,569,377	\$10,593,037

**TABLE IV
OUTSTANDING LONG-TERM DEBT**

As of December 31, 2010

	Total			Total	
	Outstanding			Outstanding	Due Within
	Dec. 31, 2009	Increases	Decreases	Dec. 31, 2010	One Year
Governmental Activities:					
G.O. Bonds Payable	\$ 10,385,000	\$ -	\$ 120,000	\$ 10,265,000	\$ 440,000
Revenue Bonds	1,495,000	-	740,000	755,000	755,000
Special Assessment Bonds	97,688,000	13,590,000	16,907,000	94,371,000	9,607,000
Compensated Absences	582,287	50,411	-	632,698	63,270
Total Governmental Activities	\$110,150,287	\$13,640,411	\$17,767,000	\$106,023,698	\$10,875,270
Business-Type Activities:					
Sewer Bonds	\$ 17,645,000	\$ -	\$ 465,000	\$ 17,180,000	\$ 480,000
Contracts Payable	198,722	-	31,277	167,445	31,277
Compensated Absences	220,590	4,844	-	225,434	22,543
Total Business-Type Activities	\$ 18,064,312	\$ 4,844	\$ 496,277	\$ 17,572,879	\$ 533,820
Total Long-Term Debt	\$128,214,599	\$13,645,255	\$18,263,277	\$123,596,577	\$11,409,090

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Projects in 2011 that boosted the economy in West Fargo included the addition of \$18,897,658 in various street, water and sewer, storm sewer, street lighting projects in various new subdivisions of the city. Also the city issued 132 single family building permits in 2011. The City anticipated that the level on new construction will increase in 2011. The value of a mill for the City is expected to increase from \$77,156 to \$79,156 per mill.

The total operation appropriations for the year 2011 increased by approximately \$445,747 from 2010. This 1.25% increase is caused primarily by increases in Capital Purchases and increased employee salaries and benefits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Airport	Library
ASSETS:					
Cash and investments	\$ -	\$ 5,030,894	\$ 5,030,894	\$ 134,393	\$ 390,086
Accounts receivable	10,309	437,997	448,306	-	-
Intergovernmental receivable	994,643	-	994,643	-	-
Due from governmental activities	-	2,737,066	2,737,066	-	-
Loan receivable	99,975	-	99,975	-	-
Taxes receivable	111,709	-	111,709	2,534	12,840
Special assessments receivable - current	847,806	-	847,806	-	-
Long-Term Receivable:					
Long-term special assessments receivable	74,319,507	-	74,319,507	-	-
Capital Assets not being depreciated:					
Land	5,925,756	774,500	6,700,256	115,000	-
Construction in progress	29,624,641	5,059,563	34,684,204	-	-
Capital Assets being depreciated:					
Buildings	1,242,500	2,085,535	3,328,035	212,563	-
Equipment	879,277	1,427,568	2,306,845	6,230	-
Infrastructure	57,420,421	137,761,828	195,182,249	-	-
Total Capital Assets	<u>\$ 95,092,595</u>	<u>\$ 147,108,994</u>	<u>\$ 242,201,589</u>	<u>\$ 347,024</u>	<u>\$ -</u>
Total Assets	<u>\$ 171,476,545</u>	<u>\$ 155,314,951</u>	<u>\$ 326,791,495</u>	<u>\$ 483,952</u>	<u>\$ 402,926</u>
LIABILITIES:					
Retainages payable	\$ 1,594,937	\$ -	\$ 1,594,937	\$ -	\$ -
Due to enterprise activities	2,737,066	-	2,737,066	-	-
Interest payable	615,015	142,966	757,981	-	-
Long-Term Liabilities:					
Portion Due or Payable Within One Year:					
Bonds payable	9,959,000	500,000	10,459,000	-	-
Compensated absences	92,983	41,054	134,037	-	4,859
Portion Due or Payable After One Year:					
Bonds payable	93,570,000	16,200,000	109,770,000	-	-
Compensated absences	836,848	369,492	1,206,340	-	43,732
Total Liabilities	<u>\$ 109,405,849</u>	<u>\$ 17,253,512</u>	<u>\$ 126,659,361</u>	<u>\$ -</u>	<u>\$ 48,591</u>
NET ASSETS:					
Invested in capital assets, net of related debt	\$ (8,436,405)	\$ 130,408,994	\$ 121,972,589	\$ 347,024	\$ -
Restricted for:					
General government	1,578,395	-	1,578,395	-	-
Public safety	-	-	-	-	-
Public works/streets	519,457	-	519,457	-	-
Culture & recreation	427,101	-	427,101	-	-
Economic development	47,577	-	47,577	-	-
Other special purposes/capital projects	3,531,982	-	3,531,982	-	-
Debt service	87,660,808	-	87,660,808	-	-
Loans	99,975	-	99,975	-	-
Unrestricted	<u>(23,358,194)</u>	<u>7,652,443</u>	<u>(15,705,750)</u>	<u>136,928</u>	<u>354,335</u>
Total Net Assets	<u>\$ 62,070,696</u>	<u>\$ 138,061,437</u>	<u>\$ 200,132,134</u>	<u>\$ 483,952</u>	<u>\$ 354,335</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Airport	Library
Primary Government:									
Governmental Activities:									
General government	\$ 3,086,373	\$ 658,063	\$ -	\$ -	\$ (2,428,310)		\$ (2,428,310)		
Public safety	5,678,972	541,034	571,630	-	(4,566,308)		(4,566,308)		
Public works/streets	2,317,370	22,807	2,390,924	13,922,563	14,018,924		14,018,924		
Economic development	91,489	-	-	-	(91,489)		(91,489)		
Culture and recreation	672,775	-	-	-	(672,775)		(672,775)		
Interest & costs on long-term debt	3,982,566	-	-	-	(3,982,566)		(3,982,566)		
Total Governmental Activities	\$ 15,829,545	\$ 1,221,904	\$ 2,962,554	\$ 13,922,563	\$ 2,277,476		\$ 2,277,476		
Business-Type Activities:									
Water and sewer	\$ 7,994,173	\$ 4,260,931	\$ -	\$ -	\$ -	\$ (3,733,242)	\$ (3,733,242)		
Health and sanitation	1,798,328	1,817,713	-	-	-	19,385	19,385		
Total Business-Type Activities	\$ 9,792,501	\$ 6,078,644	\$ -	\$ -	\$ -	\$ (3,713,857)	\$ (3,713,857)		
Total Primary Government	\$25,622,046	\$ 7,300,548	\$ 2,962,554	\$ 13,922,563	\$ 2,277,476	\$ (3,713,857)	\$ (1,436,381)		
Component Units:									
Library	\$ 690,883	\$ 13,069	\$ -	\$ -				\$ -	\$ (677,814)
Airport	119,178	15,157	-	-				(104,021)	-
Total Component Units	\$ 810,061	\$ 28,226	\$ -	\$ -				\$ (104,021)	\$ (677,814)
General Revenues:									
Taxes:									
Property taxes, levied for general purposes					\$ 4,875,805	\$ -	\$ 4,875,805	\$ 126,673	\$ 671,251
Property taxes, levied for special purposes					876,639	-	876,639	-	-
Sales taxes					2,881,085	-	2,881,085	-	-
Franchise taxes					188,286	-	188,286	-	-
State aid distribution & other unrestricted revenues					2,625,404	-	2,625,404	15,982	21,015
Unrestricted investment interest earnings					113,078	12,745	125,823	687	8,438
Miscellaneous income					169,407	483,219	652,626	700	2,482
Bond premium					67,386	-	67,386	-	-
Transfers					(13,429,373)	13,429,373	-	-	-
Total General Revenues and Transfers					\$ (1,632,283)	\$ 13,925,337	\$ 12,293,054	\$ 144,042	\$ 703,186
Change in Net Assets					\$ 645,193	\$ 10,211,480	\$ 10,856,673	\$ 40,021	\$ 25,372
Net Assets - January 1					\$ 61,443,788	\$ 127,849,957	\$ 189,293,745	\$ 443,930	\$ 328,962
Prior Period Adjustment					(18,285)	-	(18,285)	-	-
Net Assets - January 1, as restated					\$ 61,425,503	\$ 127,849,957	\$ 189,275,460	\$ 443,930	\$ 328,962
Net Assets - December 31					\$ 62,070,696	\$ 138,061,437	\$ 200,132,133	\$ 483,951	\$ 354,335

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, 2011

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ 10,309	\$ 10,309
Intergovernmental receivable	421,516	227,430	-	-	345,697	994,643
Loan receivable	99,975	-	-	-	-	99,975
Taxes receivable	92,064	-	2,700	-	16,945	111,709
Special assessments receivable - current	-	-	847,806	-	-	847,806
Special assessments receivable - deferred	-	-	74,319,507	-	-	74,319,507
Due from other city funds	7,853,081	3,304,552	13,105,810	-	2,655,535	26,918,978
Total Assets	\$ 8,466,636	\$ 3,531,983	\$ 88,275,823	\$ -	\$ 3,028,486	\$ 103,302,928
LIABILITIES AND FUND BALANCES						
Liabilities:						
Retainages payable	\$ -	\$ -	\$ -	\$ 1,594,937	\$ -	\$ 1,594,937
Due to other city funds	-	-	-	26,918,978	-	26,918,978
Due to enterprise funds	-	-	-	2,737,066	-	2,737,066
Deferred revenues	92,064	-	75,170,013	-	16,945	75,279,022
Total Liabilities	\$ 92,064	\$ -	\$ 75,170,013	\$ 31,250,980	\$ 16,945	\$ 106,530,003
Fund Balances:						
Non-Spendable:						
Loans Receivable	\$ 99,975	\$ -	\$ -	\$ -	\$ -	\$ 99,975
Restricted:						
Debt service	-	-	13,105,810	-	-	13,105,810
General government	-	-	-	-	1,741,734	1,741,734
Public safety	-	-	-	-	278,951	278,951
Public works/streets	-	-	-	-	634,998	634,998
Culture & recreation	-	-	-	-	427,101	427,101
Economic development	-	-	-	-	47,577	47,577
Committed:						
Sales Tax Fund	-	3,531,983	-	-	-	3,531,983
Unassigned:						
Negative Fund Balances	-	-	-	(31,250,980)	(118,820)	(31,369,800)
General fund	8,274,597	-	-	-	-	8,274,597
Total Fund Balances	\$ 8,374,572	\$ 3,531,983	\$ 13,105,810	\$ (31,250,980)	\$ 3,011,541	\$ (3,227,075)
Total Liabilities and Fund Balances	\$ 8,466,636	\$ 3,531,983	\$ 88,275,823	\$ -	\$ 3,028,486	\$ 103,302,928

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 ASSETS
December 31, 2011

Total *Fund Balances* for Governmental Funds \$ (3,227,075)

Total *net assets* reported for governmental activities in the statement of net assets 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	\$ 5,925,756	
Construction in progress (not depreciated)	29,624,641	
Infrastructure, net of \$16,907,121 accumulated depreciation	57,420,421	
Buildings, net of \$827,495 accumulated depreciation	1,242,500	
Equipment, net of \$1,345,783 accumulated depreciation	879,277	
Total Capital Assets	<u>95,092,595</u>	95,092,595

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	\$ 74,319,507	
Uncollected Taxes Receivable	111,709	
Special Assessments Receivable	<u>847,806</u>	75,279,022

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 assets. Balances at December 31, 2011 are:

Accrued Interest on Bonds	\$ (615,015)	
Bonds Payable	(103,529,000)	
Compensated Absences	<u>(929,831)</u>	
Total Long-Term Liabilities		<u>(105,073,846)</u>

Total Net Assets of Governmental Activities \$ 62,070,696

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, 2011

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes	\$ 4,915,524	\$ -	\$ -	\$ -	\$ 1,376,253	\$ 6,291,778
Special assessments	-	-	14,795,178	-	-	14,795,178
Sales taxes	-	2,881,085	-	-	-	2,881,085
Licenses, permits and fees	736,985	-	-	-	250,176	987,160
Charges for services	-	-	-	-	135,154	135,154
Intergovernmental	1,940,406	-	-	382,171	2,797,695	5,120,271
Fines, forfeitures and penalties	265,068	-	-	-	-	265,068
Interest on investments	30,679	20,044	52,646	3,194	6,515	113,078
Miscellaneous	17,363	-	-	71,348	80,696	169,407
Total Revenues	\$ 7,906,025	\$ 2,901,129	\$ 14,847,824	\$ 456,713	\$ 4,646,489	\$ 30,758,179
<u>Expenditures:</u>						
Current:						
General government	\$ 2,435,285	\$ -	\$ -	\$ -	\$ 605,203	\$ 3,040,488
Public safety	4,075,528	-	-	-	1,354,579	5,430,107
Public works/streets	1,281,895	-	-	-	194,117	1,476,012
Economic development	87,489	-	-	-	4,000	91,489
Culture and recreation	-	-	-	-	672,775	672,775
Debt Service:						
Principal - Bonds	-	-	19,782,000	-	-	19,782,000
Interest	-	-	3,800,245	-	-	3,800,245
Fiscal charges & other costs	-	-	77,459	-	-	77,459
Capital outlay	-	-	-	29,155,180	-	29,155,180
Total Expenditures	\$ 7,880,197	\$ -	\$ 23,659,703	\$ 29,155,180	\$ 2,830,674	\$ 63,525,754
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,828	\$ 2,901,129	\$ (8,811,879)	\$ (28,698,467)	\$ 1,815,815	\$ (32,767,575)
<u>Other Financing Sources (Uses):</u>						
Proceeds from bond sale	\$ -	\$ -	\$ 7,960,000	\$ 9,960,000	\$ -	\$ 17,920,000
Proceeds from 2012 bond trustee	-	-	312,600	-	-	312,600
Bond premium	-	-	67,386	-	-	67,386
Bond issuance costs	-	-	(127,897)	-	-	(127,897)
Transfers in	1,987,910	-	1,770,000	8,984,140	1,410,236	14,152,286
Transfers out	-	(7,467,707)	(2,634,709)	(462,725)	(1,298,437)	(11,863,578)
Total Other Financing Sources and Uses	\$ 1,987,910	\$ (7,467,707)	\$ 7,347,381	\$ 18,481,415	\$ 111,799	\$ 20,460,798
Net Change in Fund Balances	\$ 2,013,738	\$ (4,566,578)	\$ (1,464,499)	\$ (10,217,052)	\$ 1,927,614	\$ (12,306,777)
Fund Balances - January 1	\$ 6,379,119	\$ 8,098,561	\$ 14,570,308	\$ (21,033,929)	\$ 1,083,926	\$ 9,097,985
Prior Period Adjustments	(18,285)	-	-	-	-	(18,285)
Fund Balances - Jan. 1, as restated	\$ 6,360,834	\$ 8,098,561	\$ 14,570,308	\$ (21,033,929)	\$ 1,083,926	\$ 9,079,700
Fund Balances - December 31	\$ 8,374,572	\$ 3,531,983	\$ 13,105,809	\$ (31,250,981)	\$ 3,011,540	\$ (3,227,077)

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, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ (12,306,777)

The change in net assets reported for governmental activities in the statement of activities is different because:

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

Capital Asset Additions & Contributions	\$ 29,588,175	
Transfer of Capital Assets to Enterprise Activities	(13,429,373)	
Depreciation on Capital Assets	(3,783,316)	
Losses on Disposal of Capital Assets	(89,962)	12,285,524

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, 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 assets:

Debt Issued:		
Special Assessment Bonds	\$ (17,920,000)	
Repayments:		
Bond Principal	19,782,000	1,862,000

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	\$ (297,133)	
Net Decrease in Interest Payable	23,034	(274,099)

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:

227,511

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	(48,840)	
Net Decrease in Special Assessments Receivable	(1,100,126)	

Change in Net Assets of Governmental Activities \$ 645,193

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash and investments	\$ 3,996,344	\$ 1,034,550	\$ 5,030,894
Due from governmental funds	2,737,066	-	2,737,066
Accounts receivable	294,441	143,556	437,997
Total Current Assets	<u>\$ 7,027,851</u>	<u>\$ 1,178,106</u>	<u>\$ 8,205,956</u>
Noncurrent Assets:			
Capital Assets not being depreciated:			
Land	\$ 774,500	\$ -	\$ 774,500
Construction in progress	5,059,563	-	5,059,563
Capital Assets being depreciated:			
Building	1,186,017	899,518	2,085,535
Equipment	734,443	693,125	1,427,568
Infrastructure	137,761,828	-	137,761,828
Total Noncurrent Assets	<u>\$ 145,516,351</u>	<u>\$ 1,592,643</u>	<u>\$ 147,108,994</u>
Total Assets	<u>\$ 152,544,201</u>	<u>\$ 2,770,749</u>	<u>\$ 155,314,950</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Interest payable	\$ 142,966	\$ -	\$ 142,966
Bonds payable	500,000	-	500,000
Compensated absences	32,575	8,479	41,054
Total Current Liabilities	<u>\$ 675,541</u>	<u>\$ 8,479</u>	<u>\$ 684,020</u>
Noncurrent Liabilities:			
Bonds payable	\$ 16,200,000	\$ -	\$ 16,200,000
Compensated absences	293,177	76,315	369,492
Total Noncurrent Liabilities	<u>\$ 16,493,177</u>	<u>\$ 76,315</u>	<u>\$ 16,569,492</u>
Total Liabilities	<u>\$ 17,168,718</u>	<u>\$ 84,794</u>	<u>\$ 17,253,512</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 128,816,351	\$ 1,592,643	\$ 130,408,994
Unrestricted	6,559,131	1,093,312	7,652,443
Total Net Assets	<u>\$ 135,375,482</u>	<u>\$ 2,685,955</u>	<u>\$ 138,061,437</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>Operating Revenues:</u>			
Charges for sales services	\$ 4,260,931	\$ 1,817,713	\$ 6,078,644
<u>Operating Expenses:</u>			
Water and sewer operating	\$ 3,061,756	\$ -	\$ 3,061,756
Sanitation operating	-	1,680,942	1,680,942
Depreciation	4,058,092	117,386	4,175,477
Total Operating Expenses	\$ 7,119,847	\$ 1,798,328	\$ 8,918,175
Operating Income	\$ (2,858,917)	\$ 19,385	\$ (2,839,531)
<u>Nonoperating Revenues (Expenses):</u>			
Investment earnings	\$ 8,569	\$ 4,176	\$ 12,745
Miscellaneous	245,075	238,144	483,219
Interest expense	(874,326)	-	(874,326)
Total Nonoperating Revenue (Expenses)	\$ (620,682)	\$ 242,320	\$ (378,362)
Income Before Transfers	\$ (3,479,599)	\$ 261,706	\$ (3,217,893)
Transfers in	\$ 15,953,080	\$ -	\$ 15,953,080
Transfers out	(2,523,708)	-	(2,523,708)
Changes in Net Assets	\$ 9,949,773	\$ 261,706	\$ 10,211,479
Net Assets - January 1	\$ 125,425,708	\$ 2,424,250	\$ 127,849,958
Net Assets - December 31	\$ 135,375,481	\$ 2,685,956	\$ 138,061,437

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Operating	Sanitation & Health Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from customers and users	\$ 4,268,659	\$ 1,822,220	\$ 6,090,879
Payments to suppliers	(1,421,470)	(914,677)	(2,336,147)
Payments to employees	(1,375,710)	(916,760)	(2,292,470)
Net Cash Provided by Operating Activities	<u>\$ 1,471,479</u>	<u>\$ (9,217)</u>	<u>\$ 1,462,262</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Miscellaneous	\$ 245,075	\$ 238,144	\$ 483,219
Amount loaned to governmental activities	(2,737,066)	-	(2,737,066)
Transfers out	(2,288,708)	-	(2,288,708)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (4,780,699)</u>	<u>\$ 238,144</u>	<u>\$ (4,542,555)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal paid on capital debt	\$ (480,000)	\$ -	\$ (480,000)
Interest paid on capital debt	(874,326)	-	(874,326)
Construction of capital assets	(192,030)	(299,043)	(491,073)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (1,546,356)</u>	<u>\$ (299,043)</u>	<u>\$ (1,845,399)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest income	\$ 8,569	\$ 4,176	\$ 12,745
Net Increase in Cash and Cash Equivalents	<u>\$ (4,847,007)</u>	<u>\$ (65,940)</u>	<u>\$ (4,912,947)</u>
Cash and Cash Equivalents - January 1	<u>\$ 8,843,350</u>	<u>\$ 1,100,490</u>	<u>\$ 9,943,840</u>
Cash and Cash Equivalents - January 1, as restated	<u>\$ 8,843,350</u>	<u>\$ 1,100,490</u>	<u>\$ 9,943,840</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 3,996,343</u></u>	<u><u>\$ 1,034,550</u></u>	<u><u>\$ 5,030,893</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (loss)	\$ (2,858,917)	\$ 19,385	\$ (2,839,531)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Depreciation expense	4,058,092	117,386	4,175,478
Increase / decrease in utility billing receivables	7,728	4,506	12,234
Increase in compensated absences	166,533	18,581	185,113
Decrease in contracts payable	-	(167,445)	(167,445)
Loss on sale of asset	100,861	-	100,861
Decrease in interest payable	(2,818)	(1,630)	(4,448)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,471,479</u>	<u>\$ (9,217)</u>	<u>\$ 1,462,262</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and investments	<u>\$ 427,686</u>
<u>LIABILITIES:</u>	
Due to others	<u>\$ 427,686</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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 two component units to be included within the City of West Fargo as a reporting entity.

DISCRETELY PRESENTED COMPONENT UNITS

The component units' columns in the basic financial statements include the financial data of the city's two component units. These units are reported in a separate column to emphasize that they are legally separate from the city.

West Fargo Airport Authority - The City's governing board appoints a voting majority of the members of the Authority's Board. The city has the authority to approve or modify the Airport Authority's operational and capital budgets. The city also must approve the tax levy established by the Airport Authority.

West Fargo Municipal Library - The City's governing board appoints a voting majority of the members of the Library's Board. The city has the authority to approve or modify the Library's operational and capital budgets. The city also must approve the tax levy established by the Library.

Complete financial statements for the component units may be obtained by contacting the City Finance Director at 800 4th Ave. East, West Fargo, ND 58078.

B. Government-wide and fund financial statements

Government-wide statements: The statement of net assets 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 expenses allocations have been eliminated for the statement of financial activities. Program revenues include 1) fines, fees and charges for services to customers that benefit from the services provided, and 2) operating grants and contributions, and 3) capital grants are contributions, including special assessments. General revenues, including taxes, are those revenues that are not properly classified as program revenue.

Fund Financial Statements: The fund financial statements provide information about the city's funds including its fiduciary funds and blended component units. 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 fund:

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.

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 are both restricted and unrestricted net assets 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 as well as the FASB (Financial Accounting Standards Board) pronouncements issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The city does not apply FASB pronouncements issued after November 30, 1989.

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 Equity

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, stated at cost.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

2. Receivables and Payables

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

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

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

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

3. Capital Assets

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

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

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

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

4. Compensated Absences

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

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

5. Long-Term Obligations

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

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 Assets Equity

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.

Fund Balance Spending Policy:

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

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

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

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

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the School District Board of Directors. 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.

Continued on next page.....

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the business manager.	By city administrator action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

The City of West Fargo reports non-spendable fund balance, restricted fund balances, committed fund balance and unassigned fund balances at December 31, 2011.

Non-spendable fund balance is reported in the general fund for a loan receivable (\$99,975).

Restricted fund balances are reported for the debt service fund (\$13,105,810), and various functions within the special revenue funds for restricted tax levies, and amounts restricted by state and federal grants/contracts totaling \$2,784,664.

Committed fund balance is reported in the sales tax fund for funds (\$3,304,552) committed by the governing board to close out various capital projects and for debt service.

Unassigned fund balances are reported for the remaining portion of the general fund (\$7,853,081), and for negative fund balances reported in the capital projects fund and special revenue funds (\$31,369,800).

Net Assets Equity:

Invested in capital assets, net of related debt, 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.

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.

Restrictions of net assets equity, shown in the Statement of Net Assets, are due to restricted tax levies and bond indenture requirements for capital projects and for various other functions as outlined in the statement of net assets.

Unrestricted net assets equity is primarily unrestricted amounts related to the general fund & enterprise funds, and amounts reclassified for negative cash fund balances from the capital projects funds. The unrestricted net assets are 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.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A: Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. 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 \$65,297,771 differences are as follows:

Total Governmental Fund Balances		\$ (3,227,075)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		95,092,596
Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds (taxes & special assessments receivables)		75,279,022
Long-term liabilities, including bonds payable and accrued interest payable, and are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	\$(103,529,000)	
Interest Payable	(615,015)	
Compensated Absences Payable	(929,831)	(105,073,846)
Net Assets of Governmental Activities		\$ 62,070,696

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 assets 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 \$12,951,970 difference are as follows:

Net Changes in Fund Balance-Governmental Funds		\$ (12,306,777)
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 outlays exceeded depreciation and losses in the current period.		25,714,897
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.		23,034
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.		(297,132)

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

CONTINUED....

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.	\$(13,429,373)
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.	(48,841)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the changes in fund balance. In the statement of net assets, however the, issuing debt increases long-term liabilities and does not affect the statement of activities.	(17,920,000)
Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in net assets.	19,782,000
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:	(872,615)
Change in Net Assets of Governmental Activities	\$ 645,193

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCCOUNTABILITY

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

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

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

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

The governing board approved the following budget amendments to the 2011 city budget (expenditures and transfers out):

Fund #	Fund	Amendment
1001	General Fund Reserve	\$ 83,306
2030	Special Assessment Fund	11,385
2050	Park	305,437
2080	Building fund	12,824
2130	Municipal Highway (& transfers)	742,554
2146	Otto Brehmer Grant	3,589
2150	Police Equipment Fund	32,054
2200	Vector Control	35,818
2240	Food Control	249,548
2450	Police Department Evidence	4,205
2800	West Fest	14,047
2900	Cruise Night	2,490
2980	South Facilities Hookup	35,440
3030	2001 B Bonds	189,364
3060	Sales Tax Bonds (& transfers)	389
3090	2002 B Bonds	258,096
3100	2003 A Bonds	1,155,066
3339	2011 C Bonds	918,423
3340	2011 B Bonds	217,991
3341	2011 A Bonds	700,167
3368	2009 GO Bonds	25
3370	2009 C Bonds	13
3372	2010 B Bonds	232,073
3373	2010 Sidewalk Bonds	60,030
3375	2012 A Bonds	1,227,724
3730	2067 Lease	185,523

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

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

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

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

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

At year ended December 31, 2011, the city's carrying amount of deposits was \$5,982,815 and the bank balances were \$7,488,162. Of the bank balances, \$750,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2011, the city held certificates of deposit totaling \$1,093,056.

The City's bond rating was Aa-3 during the year ended December 31, 2011.

B. Receivables

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

Receivables:	General	Debt Service	Water & Sewer	Health & Sanitation	Nonmajor Funds	Sales Tax Fund	Total
Loans	\$ 99,975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,975
Accounts	-	-	294,441	143,556	10,309	-	448,306
Intergovernmental	421,516	-	-	-	345,697	227,430	994,643
Taxes	92,064	2,700	-	-	16,945	-	111,709
Specials-Current	-	847,806	-	-	-	-	847,806
Specials-Deferred	-	74,319,507	-	-	-	-	74,319,507
Total Net Receivables	\$613,555	\$75,170,013	\$294,441	\$143,556	\$372,951	\$227,430	\$76,821,946

Governmental funds report deferred revenue 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 revenue reported in the governmental funds were as follows:

Taxes Receivable – General	\$ 92,064
Taxes Receivable - NM Funds	16,945
Taxes Receivable - Debt Service Funds	2,700
Special Assessments Receivable-Current	847,806
LT Uncertified Spec. Assessments Receivable	74,319,507
Total Deferred Revenues - Balance Sheet	\$75,279,022

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

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

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

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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 \$29,656,044 total that the capital projects funds (\$29,656,044) owes the governmental funds (\$26,918,978) and the water & sewer fund (\$2,737,066) for over expending their share of the pooled cash account. The governmental funds share of pooled cash was overspent by the \$2,737,066 and borrowed from the water & sewer enterprise fund.

The following is a schedule of inter-fund transfers for the year ended December 31, 2011 (does not include capital asset transfers between governmental and business-type activities):

Transfers In						
Transfers Out:	General	Debt Service	Capital Projects	Non-major Funds	Water Sewer	Totals
Sales Tax Fund	\$ -	\$1,420,000	\$6,047,706	\$ -	\$ -	\$ 7,469,707
Debt Service	689,473	350,000	-	1,410,236	185,000	2,634,709
Capital Projects	-	-	462,725	-	-	462,725
Non-major Govt.	1,298,437	-	-	-	-	1,298,437
Water & Sewer	-	-	2,473,708	-	50,000	2,523,708
Totals	\$1,987,910	\$1,770,000	\$8,984,139	\$1,410,236	\$235,000	\$14,387,286

Transfers in/out consist of the following:

- \$2,473,708 from Water & Sewer to various capital projects funds.
- \$50,000 from city utility to water and sewer operating.
- \$1,248,437 from Highway tax to General to fund street expenses.
- \$50,000 from gaming funds to General for various expenses.
- \$689,473 from Debt Service to general reserve for administrative cost.
- \$1,420,000 from Sales tax to Debt Service for scheduled payment.
- \$6,047,706 to Capital Projects to close various capital projects funds.

D. Capital Assets

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,925,756	\$ -	\$ -	\$ 5,925,756
Construction in Progress	16,851,442	28,491,279	15,718,080	29,624,641
Total Capital Assets, not being depreciated	\$22,777,198	\$28,491,279	\$15,718,080	\$35,550,397
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,071,995	\$ -	\$ -	\$ 2,071,995
Equipment	2,600,338	206,026	581,304	2,225,060
Infrastructure	71,173,524	3,179,579	-	74,353,103
Total Capital Assets, Being Depreciated	\$75,845,857	\$ 3,385,605	\$ 581,304	\$78,650,158
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 779,370	\$ 50,107	\$ -	\$ 829,497
Equipment	1,646,476	190,666	491,341	1,345,801
Infrastructure	13,390,138	3,542,543	-	16,932,681
Total Accumulated Depreciation	\$15,815,984	\$ 3,783,316	\$ 491,341	\$19,107,959
Total Capital Assets Being Depreciated, Net	\$60,029,873	\$ (397,711)	\$ 89,963	\$59,452,199
Governmental Activities - Capital Assets, Net	\$82,807,071	\$28,093,568	\$15,808,043	\$95,092,595

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Business-Type Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets not being depreciated:</i>				
Land	\$ 774,500	\$ -	\$ -	\$ 774,500
Construction in Progress	5,059,563	-	-	5,059,563
Total Capital Assets, not being depreciated	\$ 5,834,063	\$ -	\$ -	\$ 5,834,063
<i>Capital assets being depreciated:</i>				
Land Improvements	\$ 3,751,796	\$ -	\$ -	\$ 3,751,796
Buildings	2,330,095	42,000	665,000	1,707,095
Equipment	6,539,792	449,074	446,246	6,542,620
Infrastructure	138,147,891	15,718,080	-	153,865,971
Total Capital Assets, Being Depreciated	\$150,769,574	\$16,209,154	\$1,111,246	\$165,867,482
<i>Less Accumulated Depreciation for:</i>				
Land Improvements	\$ 3,564,208	\$ 187,588	\$ -	\$ 3,751,796
Buildings	183,565	60,994	-	224,560
Equipment	5,268,843	233,592	1,010,384	4,492,051
Infrastructure	12,410,842	3,693,303	-	16,104,144
Total Accumulated Depreciation	\$ 21,427,458	\$ 4,175,477	\$1,010,384	\$ 24,592,551
Total Capital Assets Being Depreciated, Net	\$129,342,116	\$12,033,676	\$ 100,862	\$141,274,933
Business-Type Activities - Capital Assets, Net	\$135,176,179	\$12,033,676	\$ 100,862	\$147,108,994

Depreciation expense was charged to the following functions/programs of the City's governmental activities for the current fiscal year (\$3,783,316):

Governmental Activities:	Amounts
General Government	\$ 11,204
Public Safety	159,985
Highways and Streets	3,612,127
Total Depreciation Expense-Government Activities	\$3,783,316

Component Unit – Airport:

Capital Asset activity for the year ended December 31, 2011 was as follows for the Airport:

Airport Authority - Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
<i>Capital assets not being depreciated:</i>				
Land	\$100,000	\$15,000	\$ -	\$115,000
<i>Capital assets being depreciated:</i>				
Buildings	\$260,007	\$ -	\$ -	\$260,007
Land Improvements	-	13,687	-	13,387
Equipment	8,900	-	-	8,900
Total Capital Assets, Being Depreciated	\$268,907	\$13,687	\$ -	\$282,594
<i>Less Accumulated Depreciation for:</i>				
Building	\$ 39,536	\$ 7,908	\$ -	\$ 47,444
Land Improvements	-	456	-	456
Equipment	2,225	445	-	2,670
Total Accumulated Depreciation	\$ 41,761	\$ 8,809	\$ -	\$ 50,570
Total Capital Assets Being Depreciated, Net	\$227,146	\$ 4,878	\$ -	\$232,024
Business-Type Activities - Capital Assets, Net	\$327,146	\$19,878	\$ -	\$347,024

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

E. Long-term Debt

Changes in Long-Term Liabilities:

During the year ended December 31, 2011, the following changes occurred in long-term liabilities of governmental and business type activities:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
General Obligation Bonds	\$ 10,265,000	\$ -	\$ 440,000	\$ 9,825,000	\$ 760,000
Revenue Bonds	755,000	-	755,000	-	-
Special Assessment Bonds	94,371,000	17,920,000	18,587,000	93,704,000	9,199,000
Compensated Absences *	632,698	297,133	-	929,831	92,983
Total Governmental Activities	\$106,023,689	\$18,217,133	\$19,782,000	\$104,456,831	\$10,051,983

Business-Type Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Contracts Payable	\$ 167,445	\$ -	\$167,445	\$ -	\$ -
Sewer Bonds	17,180,000	-	480,000	16,700,000	500,000
Compensated Absences *	225,434	205,442	-	410,546	41,054
Total Governmental Activities	\$17,572,879	\$205,442	\$647,445	\$17,110,546	\$541,054

* - Compensated absences are reported as a net change for the year because changes in salary prohibit exact calculations of additions and deductions.

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:

\$1,030,000 Refunding Improvement Bond G.O. Bonds of 2003 due in annual installments of \$100,000 to \$135,000 through 2012; interest at 3.65%.	\$ 135,000
\$10,000,000 Refunding Bond G.O. Bonds of 2009 due in annual installments of \$310,000 to \$915,000 through 2024; interest at 2.50% to 4.35%.	<u>9,690,000</u>
Total G.O. Bonds	<u>\$9,825,000</u>

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	G.O. Bonds Payable	
	Principal	Interest
2012	\$ 760,000	\$ 332,601
2013	640,000	314,513
2014	650,000	298,513
2015	670,000	282,513
2016	685,000	263,837
2017 – 2021	3,780,000	987,557
2022 – 2026	2,640,000	228,852
TOTALS	\$9,825,000	\$2,702,136

CITY OF WEST FARGONotes to the Financial Statements - Continued

The City also issued \$17,920,000 of special assessment debt in 2011 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 currently outstanding are as follows:

Special Assessment Bonds (including TIF bonds):

\$4,045,000 Refunding Improvement Bonds of 1998 - Series B due in annual installments of \$275,000 through 2013; interest at 4.0%.	\$ 550,000
\$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 \$775,000 through 2017; interest at 3.0%.	4,470,000
\$122,000 Sidewalk Warrants #6037 of 2001, due in one annual installment of \$14,000 through 2012; interest at 4.35%.	14,000
\$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%.	3,680,000
\$7,725,000 Refunding Improvement Bonds of 2009, Series C, due in annual installments of \$310,000 to \$340,000 through 2034; interest at 2.0% to 4.85%.	7,385,000
\$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%.	475,000
\$530,000 Municipal Finance Bonds of 2009, due in annual installments of \$10,000 to \$35,000 through 2039; interest at 3.0% to 5.50%.	510,000
\$5,635,000 Refunding Improvement Bonds of 2008, Series A, due in annual installments of \$540,000 to \$580,000 through 2018; interest at 4%.	3,955,000
\$5,935,000 Refunding Improvement Bonds of 2010, Series A, due in annual installments of \$600,000 to \$720,000 through 2019; interest at 1.25% to 3.50%.	5,215,000
\$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 4.4%.	7,130,000
\$11,545,000 Refunding Improvement Bonds of 2005, Series B, due in annual installments of \$785,000 to \$805,000 through 2020; interest at 4.0%.	7,140,000
\$4,730,000 Refunding Improvement Bonds of 2005, Series C, due in annual installments of \$240,000 to \$495,000 through 2016; interest at 4.0%.	2,190,000

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Special Assessment Bonds – Continued:

\$6,605,000 Refunding Improvement Bonds of 2005, Series D, due in annual installments of \$440,000 to \$445,000 through 2021; interest at 3.75% to 4.25%.	\$4,405,000
\$9,775,000 Refunding Improvement Bonds of 2006, Series A, due in annual installments of \$670,000 to \$685,000 through 2021; interest at 4.0%.	6,750,000
\$135,000 Sidewalk Warrants 2004, due in annual installments of \$15,000 through 2014; interest at 5.0%.	45,000
\$55,000 Sidewalk Warrants 2002, due in annual installments of \$5,000 through 2014; interest at 4.25%.	15,000
\$225,000 Sidewalk Bonds of 2006, due in annual installments of \$20,000 to \$25,000 through 2016; interest at 3.90% to 4.25%.	110,000
\$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$700,000 through 2023; interest at 4.0%.	7,765,000
\$6,345,000 Refunding Improvement Bonds of 2007, Series B due in annual installments of \$265,000 to \$460,000 through 2023; interest at 4.0% to 4.25%.	4,910,000
\$240,000 Sidewalk Bonds of 2007, due in annual installments of \$20,000 to \$25,000 through 2017; interest 4.0% to 4.1%	140,000
\$215,000 Sidewalk Bonds of 2008, due in annual installments of \$20,000 to \$25,000 through 2018; interest 3.15% to 4.0%.	140,000
\$2,735,000 Refunding Improvement Bonds 2008, Series B due in annual installments of \$175,000 to \$195,000 through 2023; interest 3.75% to 4.5%.	2,200,000
\$7,080,000 Refunding Improvement Bonds 2008, Series C due in annual installments of \$450,000 to \$485,000 through 2024; interest 3.5% to 4.75%.	6,050,000
\$2,645,000 Refunding Improvement Bonds 2011, Series B due in annual installments of \$175,000 to \$325,000 through 2020; interest 0.6% to 3.2%.	2,645,000
\$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%.	9,960,000
\$5,315,000 Refunding Improvement Bonds 2011, Series A due in annual installments of \$550,000 to \$630,000 through 2020; interest 2.0% to 4.0%.	5,315,000
\$570,000 2009 Refunding Bonds – TIF – Charleswood due in annual installments of \$30,000 to \$50,000 through 2025; interest 2.75% to 4.50%	<u>540,000</u>
Total Special Assessment Bonds	<u>\$93,704,000</u>

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessment Bonds Payable	
	Principal	Interest
2012	\$ 9,199,000	\$ 3,157,185
2013	9,665,000	2,840,149
2014	9,270,000	2,516,010
2015	8,730,000	2,228,931
2016	8,355,000	2,171,838
2017 – 2021	30,740,000	5,735,774
2022 – 2026	8,590,000	2,458,500
2027 – 2031	5,015,000	1,380,369
2032 – 2036	4,045,000	378,057
2037 – 2041	95,000	3,375
TOTALS	\$93,704,000	\$22,840,188

Business Type Activities:

\$10,820,000 Water & Sewer Revenue Bonds, Series 2005, due in annual installments of \$260,000 to \$700,000 through 2030; interest at 4.0% to 5.0% - Enterprise Funds (Business-Type Activities). \$ 9,135,000

\$175,000 Water and Sewer Revenue Bonds, Series 1993 Series A, due in annual installments of \$10,000 through 2013; interest at 2.5% - Enterprise Funds (Business-Type Activities). 20,000

\$7,870,000 Water and Sewer Revenue Bonds Series 2009 due in annual installments of \$160,000 to \$1,140,000 through 2034; interest at 2.625% to 6.375% - Enterprise Funds (Business-Type Activities) 7,545,000

Total Business-Type Activities Revenue Bonds \$16,700,000

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

ENTERPRISE ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2012	\$ 500,000	\$ 857,545
2013	515,000	840,032
2014	535,000	820,457
2015	545,000	799,457
2016	570,000	777,195
2017 – 2021	3,250,000	3,484,574
2022 – 2026	4,110,000	2,606,444
2027 – 2031	4,575,000	1,390,583
2032 - 2035	2,110,000	311,738
TOTALS	\$16,700,000	\$11,888,025

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.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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, P.O. Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 4% of their annual covered salary. The city is required to contribute 5.26% of the employee's salary, which consists of 4.26% 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, 2011, 2010 and 2009 were \$494,643, \$466,485, and \$430,423, respectively, equal to the required contributions for each year.

NOTE 5: INDIVIDUAL FUND DEFICITS

The following funds were in a deficit cash position at December 31, 2011:

Fund	Balance
<u>Non-major Fund - Special Revenue:</u>	
Vector Control	\$ (87,614)
Flood Control	(31,206)
<u>Debt Service Funds (Major):</u>	
Sidewalk Bonds 2010	(8,094)
Refunding Improvement Bonds 2007 Series B	(193,298)
TIF Bonds 2009 Titan (Charles Wood)	(35,023)
<u>Capital Projects Funds (Major):</u>	
Total Capital Projects Funds (various funds, net)	(29,656,043)

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

- Transfer General Fund, sales tax fund, and debt service moneys sufficient to relieve deficits.
- Issue bonds to finance capital projects.
- Collect Special assessments to relieve deficits.

NOTE 6: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of West Fargo pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$4,367,731 for mobile equipment and portable property.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

The City of West Fargo also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the city with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City of West Fargo has 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 100% for single coverage or 75% of family or single with dependents coverage.

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

NOTE 7: OPEN CONSTRUCTION PROJECTS

The city had 13 construction projects open at year-end. The total amount of construction costs in progress was \$25,976,187 with contract amounts of \$29,256,975 leaving total construction commitments of \$3,280,788 at December 31, 2011.

Sewer District #1213	\$ 58,301
Street District #2196	(45,221)
S&W District # 1219	209,484
S&W District #1219 Phase II	5,112
Storm Sewer District #4047	(40,873)
S&W District #1225	(93,230)
Street District #2211	1,348,881
S&W District #1227	(12,688)
Street & Storm District #2212	(62,045)
S,W,Street & Storm District #1229	11,794
S,W,Street & Storm District #1231	10,034
Street District #2213	447,668
Storm Sewer District #4044,4046 & 4047	1,443,571

NOTE 8: SUBSEQUENT EVENTS

In January of 2012, the City Commission approved the issuance of the following bond issues:

- \$15,630,000 Refunding Improvement Bonds of 2012, Series A. The bonds were issued to fund various construction projects (Water & Sewer Improvement District #1207, Water & Sewer Improvement District #1219 Phase II, Sewer, Water, Street & Storm Improvement District #1227, #1228 & #1230, Street Improvement District #2196, Street Improvement District #2210, and Street & Storm Improvement District #2212).
- \$6,030,000 Refunding Improvement Bonds of 2012, Series B. The bonds were issued to refund the remaining 2006 Series A bonds (\$6,065,000) for a total cost savings of \$758,522 and a net present value savings (economic gain) of \$698,157.
- \$9,740,000 Refunding Improvement Bonds of 2012, Series C. Bonds were issued to refund the remaining 2005 Series B (\$6,005,000) and 2005 Series D (\$3,735,000) Refunding Bonds for a total cost saving of \$923,683 and a present value savings (economic gain) of \$839,235.
- \$170,000 Sidewalk Bonds of 2012, District No. 6049. The bonds were issued to fund 2012 sidewalk improvements.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

In April of 2012, the City Commission approved the issuance of the following bond issue:

- \$9,145,000 City of West Fargo and Sewer Revenue Refunding Bonds of 2012. This issue is a refunding issue to refund the remaining water and sewer revenue bonds of 2005 totaling \$9,135,000. The bonds were issued to realize a total cost savings of \$1,378,004 and a net present value savings (economic gain) of \$1,057,259.

In August of 2012, the City Commission approved the issuance of the following bond issues:

- Issuance of Improvement Warrants: and Exchanging them for \$37,600,000 Refunding Improvement Bonds of 2012, Series D, and accept bid from Robert W. Baird to purchase the warrants at a price of \$37,282,379.25 with net effective rate of 2.94876%. The bonds were issued to fund various construction projects as outlined in detail in the bond indenture (Storm Sewer Improvement Districts #4044, #4046, & #4047; Water & Sewer Improvement District #1225; Water, Street, Storm & Sewer Improvement Districts #1229, #1231, #1233, #1234, & #1236; and Street Improvement Districts #2211, #2213, #2214, #2217, & #2218).
- \$2,060,000 Sales Tax Revenue Bonds of 2012 for CostCo.

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: DEBT DEFEASANCES

At the February 7, 2011 board meeting, the West Fargo City County Commission moved to refund two bond issues to obtain interest savings and realize an economic gain.

2011 Refunding Bonds, Series A totaling \$5,315,000 with an effective true interest rate of 2.97% to refund the remaining 2005 Series A Refunding Bonds for a total cost saving of \$346,541 and a net present value savings (economic gain) of \$191,654.

2011 Refunding Bonds, Series B totaling \$2,645,000 with an effective true interest rate of 2.67% to refund the remaining 2004 Series B Refunding Bonds for a total cost saving of \$134,034 and a net present value savings (economic gain) of \$90,260.

NOTE 11: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the general fund for a negative \$18,285 to correct overstated revenues in 2010. The results of the prior period adjustment were to lower the beginning balance of the governmental fund statement general fund beginning balance by \$18,285, and reduce the statement of activities equity for governmental funds by \$18,285.

CITY OF WEST FARGO
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,930,926	\$ 4,930,926	\$ 4,915,524	\$ (15,402)
Licenses, Permits & Fees	597,800	597,800	736,985	139,185
Intergovernmental	1,090,284	1,090,284	1,940,406	850,122
Fines	201,000	201,000	265,068	64,068
Interest Income	60,000	60,000	30,679	(29,321)
Miscellaneous	30,000	30,000	17,363	(12,637)
Total Revenues	\$ 6,910,010	\$ 6,910,010	\$ 7,906,025	\$ 996,015
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,203,548	\$ 2,286,854	\$ 2,435,285	\$ (148,431)
Public Safety	4,258,951	4,258,951	4,075,528	183,423
Highways & Streets	1,377,111	1,377,111	1,281,895	95,216
Economic Development	110,360	110,360	87,489	22,872
Capital Outlay	50,000	50,000	-	50,000
Total Expenditures	\$ 7,999,970	\$ 8,083,276	\$ 7,880,197	\$ 203,079
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,089,960)	\$ (1,173,266)	\$ 25,828	\$ 1,199,094
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,050,000	\$ 1,050,000	\$ 1,987,910	\$ 937,910
Net Changes in Fund Balances	\$ (39,960)	\$ (123,266)	\$ 2,013,738	\$ 2,137,004
Fund Balance - January 1	\$ 6,360,834	\$ 6,360,834	\$ 6,360,834	\$ -
Fund Balance - December 31	<u>\$ 6,320,874</u>	<u>\$ 6,237,568</u>	<u>\$ 8,374,572</u>	<u>\$ 2,137,004</u>

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,881,085	\$ 681,085
Interest Income	3,000	3,000	20,044	17,044
Total Revenues	<u>\$ 2,203,000</u>	<u>\$ 2,203,000</u>	<u>\$ 2,901,129</u>	<u>\$ 698,129</u>
<u>Expenditures:</u>				
Current:	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,203,000</u>	<u>\$ 2,203,000</u>	<u>\$ 2,901,129</u>	<u>\$ 698,129</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	<u>\$ (1,920,000)</u>	<u>\$ (1,920,000)</u>	<u>\$ (7,467,707)</u>	<u>\$ (5,547,707)</u>
Net Changes in Fund Balances	<u>\$ 283,000</u>	<u>\$ 283,000</u>	<u>\$ (4,566,578)</u>	<u>\$ (4,849,578)</u>
Fund Balance - January 1	<u>\$ 8,098,561</u>	<u>\$ 8,098,561</u>	<u>\$ 8,098,561</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 8,381,561</u>	<u>\$ 8,381,561</u>	<u>\$ 3,531,983</u>	<u>\$ (4,849,578)</u>

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

CITY OF WEST FARGO
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing body adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America for the general fund, each special revenue fund and each debt service fund of the municipality. The city is required to present the adopted and final amended revenues and expenditures of these funds.

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

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

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS
For the Year Ended December 31, 2011

	Balance 1-1-11	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-11
General Fund (Major)	\$ 4,525,737.66	\$ 7,452,507.03	\$ 1,298,436.97	\$ -	\$ -	\$ 7,746,891.03	\$ 5,529,790.63
General Fund Reserve	1,835,096.73	32,001.87	689,473.00	-	-	133,305.63	2,423,265.97
Total General Fund	\$ 6,360,834.39	\$ 7,484,508.90	\$ 1,987,909.97	\$ -	\$ -	\$ 7,880,196.66	\$ 7,953,056.60
Special Revenue Funds:							
Sales Tax (Major)	\$ 8,098,560.57	\$ 2,673,698.46	\$ -	\$ -	\$ 7,467,706.85	\$ -	\$ 3,304,552.18
Special Revenue Funds (Nonmajor):							
City's Share of Specials	\$ 27,737.72	\$ 78,202.55	\$ -	\$ -	\$ -	\$ 86,384.81	\$ 19,555.46
Park	-	903,406.17	-	-	-	656,237.35	247,168.82
Fire Fund	49,279.32	630,003.03	-	-	-	611,966.11	67,316.24
Building Fund	298,468.95	178,357.47	-	-	-	187,824.24	289,002.18
Gaming Funds	67,931.02	9,573.59	-	-	50,000.00	-	27,504.61
E-911	196,639.22	250,629.61	-	-	-	383,945.50	63,323.33
Municipal Highway Fund	214,935.31	1,683,450.98	-	-	1,248,436.97	194,116.91	455,832.41
Lodging Tax	70,648.45	34,754.13	-	-	-	34,555.00	70,847.58
Otto Bremer Grant Crisis Training	38,074.05	-	-	-	-	3,588.99	34,485.06
Police Siren Reserve	3,500.00	7,155.65	-	-	-	-	10,655.65
Police SWAT Reserve	14,700.00	2,100.00	-	-	-	-	16,800.00
Police Training Reserve	22,187.00	6,000.00	-	-	-	-	28,187.00
General Fund Police Equipment	61,526.17	-	-	-	-	60,854.70	671.47
City Hall Remodeling	38,342.81	-	200,000.00	-	-	140,988.22	97,354.59
Vector Control	(59,808.80)	68,013.11	-	-	-	95,818.30	(87,613.99)
Forestry	17,542.73	67,218.63	-	-	-	59,632.37	25,128.99
Flood Control	(85,930.01)	314,271.75	-	-	-	259,548.10	(31,206.36)
D.A.R.E.	6,851.38	16,566.23	-	-	-	14,929.53	8,488.08
Evidence Police Department	12,087.82	42.08	-	-	-	4,205.00	7,924.90
National Night Out (Night to Unite)	2,795.55	3,010.85	-	-	-	4,901.17	905.23
Future Building	-	1,804.09	1,210,236.14	-	-	-	1,212,040.23
West Fest	-	26,239.00	-	-	-	14,047.32	12,191.68
Cruise Night	-	3,700.00	-	-	-	2,490.48	1,209.52
Asset Forfeitures	38,712.80	12,121.79	-	-	-	10,640.37	40,194.22
Economic Development	47,405.65	4,171.17	-	-	-	4,000.00	47,576.82
Change Fund	300.00	-	-	-	-	-	300.00
Total Special Revenue Funds (Nonmajor)	\$ 1,083,927.14	\$ 4,300,791.88	\$ 1,410,236.14	\$ -	\$ 1,298,436.97	\$ 2,830,674.47	\$ 2,665,843.72
Total Special Revenue Funds	\$ 9,182,487.71	\$ 6,974,490.34	\$ 1,410,236.14	\$ -	\$ 8,766,143.82	\$ 2,830,674.47	\$ 5,970,395.90
Debt Service Funds (Major):							
2001 B	\$ 233,762.89	\$ 63,181.95	\$ -	\$ -	\$ 189,209.09	\$ 107,735.75	\$ -
Sidewalk 2001 - 6037	11,533.47	8,017.58	-	-	-	12,870.00	6,681.05
Sales Tax Revenue Bonds	112,767.06	2,557.70	770,000.00	-	-	771,289.00	114,035.76
2002 B	448,646.09	165,964.21	-	-	162,641.06	451,969.24	-
2003 A	1,198,765.13	103,321.19	-	-	1,058,385.99	243,700.33	-
2003 Refunding G.O. Bonds	12,018.82	142,636.67	-	-	-	137,846.00	16,809.49
2011-C RIB	-	1,296,692.64	-	27,989.85	874,473.00	-	450,209.49
RIB 2011 B (recall 2004B)	588,954.00	407,427.30	-	2,590,750.00	-	3,211,236.36	375,894.94
2005 A Refunding Improvement Bonds	1,297,031.08	964,662.21	-	5,305,750.00	-	6,877,645.39	689,797.90
Sidewalk 6040 - 2004	30,806.46	20,270.15	-	-	-	17,362.50	33,714.11
Sidewalk 6043 - 2006	59,567.44	18,895.76	-	-	-	32,076.00	46,387.20
Sidewalk 6042 - 2005	61,872.99	25,457.95	-	-	-	31,204.50	56,126.44
Sidewalk 6044 - 2007	90,419.21	17,259.83	-	-	-	31,678.75	76,000.29
2008-B RIB	74,410.83	295,609.63	-	-	-	290,221.25	79,799.21
2008-C RIB	277,173.01	1,158,567.90	-	-	-	773,851.50	661,889.41
2005-B RIB	698,889.05	806,086.74	-	-	-	1,100,308.00	404,667.79
2009-A RIB (from 2001/2001c/2002)	2,000,646.64	711,841.41	-	-	-	926,746.00	1,785,742.05
2005-D RIB	633,873.11	643,421.59	-	-	-	626,934.50	650,360.20
2009-B RIB (from 2003C & 2003D)	1,374,222.11	802,118.39	-	-	-	960,705.00	1,215,635.50
2005-C Refunding Bonds	901,824.71	419,128.37	-	-	-	598,292.00	722,661.08
2006 A RIB	113,312.81	736,288.33	350,000.00	-	-	995,162.00	204,439.14
2007A RIB	1,281,899.44	825,933.03	-	-	-	1,025,570.00	1,082,262.47
2007B RIB	(387,353.54)	843,115.33	-	-	-	649,060.00	(193,298.21)
2008A RIB (from 2003B)	727,405.92	661,608.03	-	-	-	750,750.00	638,263.95
G.O. Bonds 2009	2,131.18	1,614.07	650,000.00	-	-	648,863.50	4,881.75
Municipal Bonds 2009 NDPFA	93,994.88	71,154.69	-	-	-	33,985.84	131,163.73
2009-C RIB	199,985.69	661,837.60	-	-	-	615,941.50	245,881.79
2010 A - RIB (refund of 2003E & 2004A)	546,917.34	1,039,731.25	-	-	-	847,489.00	739,159.59
2010 B - RIB	16,878.65	367,943.09	-	-	-	232,073.99	152,747.75

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, 2011

	Balance 1-1-11	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-11
CONTINUED.....							
<u>Debt Service Funds (Major) Cont'd:</u>							
Sidewalk Refunding Bonds 2010	\$ (1,740.50)	\$ 53,677.20	\$ -	\$ -	\$ -	\$ 60,030.79	\$ (8,094.09)
2011 D - Special Assessment Bond	-	170,274.24	-	-	-	-	170,274.24
2012 A-RIB	-	-	-	287,600.00	-	-	287,600.00
1998-B RIB	575,553.43	205,678.08	-	-	-	303,300.00	477,931.51
2067	1,223,441.62	344,135.66	-	-	-	185,523.23	1,382,054.05
#6039 - Sidewalk 2003	8,956.19	4,934.42	-	-	-	5,787.50	8,103.11
TIF Bonds Sterling Industrial Park	69,658.28	260,929.11	-	-	150,000.00	-	180,587.39
TIF Butler (to 3360 and 4025)	21,033.13	479,658.52	-	-	200,000.00	50,228.52	250,463.13
TIF Titan Machinery (to 3370)	(28,950.16)	46,192.24	-	-	-	52,265.50	(35,023.42)
Total Debt Service Funds	\$ 14,570,308.46	\$ 14,847,824.06	\$ 1,770,000.00	\$ 8,212,089.85	\$ 2,634,709.14	\$ 23,659,703.44	\$ 13,105,809.79
<u>Capital Projects Funds (Major):</u>							
Capital Improvements	\$ 518,468.95	\$ 3,177.05	\$ 500,000.00	\$ -	\$ 317,441.60	\$ 265,878.31	\$ 438,326.09
Construction Testing	4,693.72	16.63	-	-	-	541.00	4,169.35
9th Street/I-94 Interchange	164,381.14	24,932.60	-	-	-	96,621.89	92,691.85
Drain 45 Improvements	(139.32)	-	291,069.95	-	-	290,930.63	-
2196 7th Ave.-9th St. E to 17th St. E.	(1,346,885.06)	-	150,000.00	-	-	90,296.18	(1,287,181.24)
1207 Main Ave. 2nd Segment	(2,659,927.68)	-	1,000,000.00	-	-	102,550.77	(1,762,478.45)
1214 N. Central Forcemain Replace.	(2,278,471.09)	-	2,506,883.10	-	-	228,412.01	-
1213 Sanitary Improve. 8th St./2nd Ave.	(1,548,253.35)	-	-	500,000.00	-	407,518.54	(1,455,771.89)
1218 Eaglewood	(3,081,180.01)	-	-	3,957,000.00	-	805,573.79	70,246.20
1220 Shadow Wood 2nd Phase 2	(327,532.98)	-	-	366,000.00	-	33,008.69	5,458.33
1219 - 4th St. E/32nd Ave - 36th Ave	(1,410,654.72)	-	-	-	-	2,061,451.49	(3,472,106.21)
1221 Shadow Wood 4th	(996.75)	24,857.00	-	80,000.00	-	96,054.75	7,805.50
1222 Maple Ridge 1st	(3,417,094.75)	-	-	4,872,000.00	-	1,370,329.67	84,575.58
1223 The Links at Westport 1st phase 1	(145,283.51)	-	145,283.51	-	-	-	-
1225 South Pond @ the Reserve	(572.00)	-	-	-	-	2,963,519.85	(2,964,091.85)
2195 I94 to 32nd Ave. Phase 1 S. of 94	(484,688.00)	46,341.25	426,499.58	-	-	(11,847.17)	-
4041 32nd Ave Bridge Replacement	(2,141,014.54)	-	2,265,906.83	-	-	124,892.29	-
2195 I 94 to 32nd Ave Phase 2 N of 94	(1,381,055.70)	-	1,381,055.70	-	-	-	-
2208 Lodoen Center Parking Lot	(165,942.31)	-	-	185,000.00	-	18,407.64	650.05
4046 Section 29 (Houkom) Lift	(544.00)	-	-	-	-	1,321,903.54	(1,322,447.54)
4047 Section 20 Maple Ridge Storm	(28,213.35)	-	-	-	-	2,715,022.43	(2,743,235.78)
4042 Section 31 and 6	(430.00)	-	-	-	-	110.00	(540.00)
2210 Aurora/Rendezvous Park	-	-	-	-	-	402,879.73	(402,879.73)
2211 4th Street/26th Ave East	-	-	-	-	-	2,667,542.36	(2,667,542.36)
2212 Christianson's 1st	-	-	-	-	-	703,262.64	(703,262.64)
2213 3rd Avenue Northwest	-	-	-	-	-	153,807.44	(153,807.44)
2214 3rd Ave. NW Phase II (Hal Ind Pk)	-	-	-	-	-	141,672.16	(141,672.16)
1227 Shadowwood 5th	-	-	-	-	-	1,771,324.79	(1,771,324.79)
1228 The Wild's 1st (St,S/W,Storm)	-	-	-	-	145,283.51	3,044,757.82	(3,190,041.33)
1229 Shadow Creel 1st	-	-	-	-	-	2,782,859.50	(2,782,859.50)
1230 Westport Beach 7th	-	-	-	-	-	376,106.08	(376,106.08)
1231 7th Street E 31st to 32nd Avenue	-	-	-	-	-	742,543.65	(742,543.65)
Main Ave Phase 2 NDU-8_010(031)935	-	150.00	-	-	-	117,591.11	(117,441.11)
1233 5th Street West (S,W & Storm)	-	-	-	-	-	11,572.24	(11,572.24)
6045 - Bikepath/Sidewalk 2009 (9th)	(348,435.23)	110,000.00	242,121.19	-	-	3,685.96	-
6047 40th Avenue Path 2009	(292,308.96)	247,238.20	75,320.41	-	-	30,249.65	-
6049 Sidewalks 2011	-	-	-	-	-	141,067.48	(141,067.48)
2157 13th Ave. West	(220,174.84)	-	-	-	-	-	(220,174.84)
4044 Storm Water Section 19	(636.70)	-	-	-	-	1,929,181.52	(1,929,818.22)
Total Capital Projects Funds	\$ (20,592,891.04)	\$ 456,712.73	\$ 8,984,140.27	\$ 9,960,000.00	\$ 462,725.11	\$ 28,001,280.43	\$ (29,656,043.58)
Total Governmental Funds	\$ 9,520,739.52	\$ 29,763,536.03	\$ 14,152,286.38	\$ 18,172,089.85	\$ 11,863,578.07	\$ 62,371,855.00	\$ (2,626,781.29)
<u>Enterprise Funds:</u>							
Sewer and Water Operating	\$ 2,484,969.16	\$ 4,447,041.61	\$ 50,000.00	\$ -	\$ -	\$ 4,120,913.40	\$ 2,861,097.37
City Utility	48,597.80	56,912.75	-	-	50,000.00	-	55,510.55
Water Tower Maintenance	-	-	-	-	-	-	-
Sewage Surcharge	288,499.46	8,126.34	-	-	-	-	296,625.80
Water/Sewer 2005 Reserve	742,750.00	-	-	-	-	-	742,750.00
Water/Sewer 2009 Reserve	601,646.26	-	-	-	-	-	601,646.26
South Facilities Hookup	664,165.54	2,400.33	185,000.00	-	-	55,440.00	796,125.87
Waste Water Treatment Revenue Bonds	27,543.66	94.59	-	-	-	10,875.00	16,763.25

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, 2011

	Balance 1-1-11	Revenues	Transfers In	Other Financing Sources (net)	Transfers Out	Expenditures	Balance 12-31-11
<u>Enterprise Funds (Continued):</u>							
1185 West Sanitary Lift Station	\$ 4,482,437.44	\$ -	\$ -	\$ -	\$ 2,473,708.31	\$ 124,373.46	\$ 1,884,355.67
1208 Water Treatment Plant	(225,090.23)	-	-	-	-	31,443.43	(256,533.66)
Replacement/Depreciation SWOP	30,000.00	-	-	-	-	-	30,000.00
Total Sewer and Water	\$ 9,145,519.09	\$ 4,514,575.62	\$ 235,000.00	\$ -	\$ 2,523,708.31	\$ 4,343,045.29	\$ 7,028,341.11
Health and Sanitation Operating	\$ 1,248,551.72	\$ 2,060,033.83	\$ -	\$ -	\$ -	\$ 2,130,475.26	\$ 1,178,110.29
Total Enterprise Funds	\$ 10,394,070.81	\$ 6,574,609.45	\$ 235,000.00	\$ -	\$ 2,523,708.31	\$ 6,473,520.55	\$ 8,206,451.40
<u>Agency Funds:</u>							
Park Sp Assmt 2003-1	\$ -	\$ 8,716.30	\$ -	\$ -	\$ -	\$ 8,716.30	\$ -
Shadowwood Pk Sp.2010	-	24,287.12	-	-	-	24,287.12	-
Park Sp Assmt 2007-1	-	21,717.33	-	-	-	21,717.33	-
Community Dev. Block Grant	1,906.37	6.89	-	-	-	-	1,913.26
Tree Planting	193,009.49	37,187.36	-	-	-	17,775.00	212,421.85
Marvin Windows Escrow Sp Assmts	170,658.00	-	-	-	-	-	170,658.00
Marcil Job Training Loan	-	13,947.88	-	-	-	-	13,947.88
Titan Job Training Grant 5%	-	49.00	-	-	-	46.55	2.45
Energy Grant	18,000.00	18,000.00	-	-	-	20,200.00	15,800.00
WSI Grant	-	15,426.00	-	-	-	15,426.00	-
Windsor Green Subdivision	-	5,453.20	-	-	-	-	5,453.20
Bourd's Subdivision	-	7,489.87	-	-	-	-	7,489.87
Total Agency Funds	\$ 383,573.86	\$ 152,280.95	\$ -	\$ -	\$ -	\$ 108,168.30	\$ 427,686.51
Total Primary Government	\$ 20,298,384.19	\$ 36,490,426.43	\$ 14,387,286.38	\$ 18,172,089.85	\$ 14,387,286.38	\$ 68,953,543.85	\$ 6,007,356.62
<u>Component Units:</u>							
<u>Airport:</u>							
Airport Authority	\$ 69,634.29	\$ 146,930.40	\$ -	\$ -	\$ -	\$ 139,056.75	\$ 77,507.94
Airport Authority Bond Construction	42,945.59	13,939.87	-	-	-	-	56,885.46
Total Airport	\$ 112,579.88	\$ 160,870.27	\$ -	\$ -	\$ -	\$ 139,056.75	\$ 134,393.40
<u>Library:</u>							
Library General	\$ 339,191.69	\$ 722,197.30	\$ 2,947.63	\$ -	\$ -	\$ 674,250.91	\$ 390,085.71
Library Memorials	2,765.25	182.96	-	-	2,947.63	-	0.58
Total Library	\$ 341,956.94	\$ 722,380.26	\$ 2,947.63	\$ -	\$ 2,947.63	\$ 674,250.91	\$ 390,086.29
Total Component Units	\$ 454,536.82	\$ 883,250.53	\$ 2,947.63	\$ -	\$ 2,947.63	\$ 813,307.66	\$ 524,479.69
Total Reporting Entity	\$ 20,752,921.01	\$ 37,373,676.96	\$ 14,390,234.01	\$ 18,172,089.85	\$ 14,390,234.01	\$ 69,766,851.51	\$ 6,531,836.31

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number		Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<u>Passed through the State Department of Transportation:</u>			
Highway Planning and Construction	20.205	**	\$ 688,526
State and Community Highway Safety	20.600		3,470
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		<u>6,311</u>
Total U.S. Department of Transportation			<u>\$ 698,307</u>
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>			
<u>Passed through the State Division of Community Services:</u>			
Community Development Block Grants/Entitlement Grants	14.218		<u>\$ 1,000</u>
<u>U.S. DEPARTMENT OF COMMERCE:</u>			
<u>Passed through the State Division of Emergency Services:</u>			
Public Safety Interoperable Communications Grant Program	11.555		<u>\$ 1,061</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Passed through the State Division of Emergency Services:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		\$ 229,013
Hazard Mitigation Grant	97.039		109,310
Homeland Security Grant Program	97.067		<u>6,750</u>
Total U.S. Department of Homeland Security			<u>\$ 345,073</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,045,441</u></u>

** - Major program subjected to testing

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of West Fargo under programs of the federal government for the year ended December 31, 2011. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of West Fargo, it is not intended to and does not present the financial position or changes in net assets of the City of West Fargo.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

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



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

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

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

City Commission
City of West Fargo
West Fargo, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2011, which collectively comprise the City of West Fargo's basic financial statements and have issued our report thereon dated November 7, 2012. 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.

Internal Control Over Financial Reporting

Management of the City of West Fargo is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of West Fargo's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Fargo's internal control over financial reporting.

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 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.

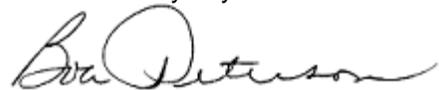
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Fargo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted certain matters that we reported to management of the City of West Fargo in a separate letter dated November 7, 2012.

This report is intended solely for the information and use of management, the city commission, others within the city, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

November 7, 2012

STATE AUDITOR

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



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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

City Commission
City of West Fargo
West Fargo, North Dakota

Compliance

We have audited the City of West Fargo's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of West Fargo's major federal program for the year ended December 31, 2011. The City of West Fargo's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of West Fargo's management. Our responsibility is to express an opinion on the City of West Fargo's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of West Fargo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of West Fargo's compliance with those requirements.

In our opinion, the City of West Fargo complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

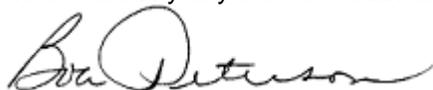
Internal Control Over Compliance

Management of the City of West Fargo is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of West Fargo's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of West Fargo's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the city commission, others within the city, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

November 7, 2012

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unqualified
Business-Type Activities	Unqualified
Discretely Presented Component Units	Unqualified
Major Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal Control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies not identified not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
20.205	Highway Planning and Construction – Recovery

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

No matters were reported.

Section III – Federal Findings

No matters were reported.