

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 2010



CITY OF WEST FARGO
West Fargo, North Dakota

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CITY OF WEST FARGO
West Fargo, North Dakota

CITY OFFICIALS

December 31, 2010

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

STATE AUDITOR

ROBERT R. PETERSON
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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

INDEPENDENT AUDITOR'S REPORT

City Commissioners
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, 2010, 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 the 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, 2010, and the respective changes in financial position and cash flows, where applicable, 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 September 22, 2011 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 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.

The management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 40 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. The statement of fund activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statement of fund activity has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert R. Peterson
State Auditor

September 22, 2011

CITY OF WEST FARGO
West Fargo, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

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, 2010. 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 \$9,783,483 as a result of current year operations, or 19%. The increase is primarily due to the issuance of special assessments.
- Net assets of the business-type activities decreased by \$524,943 or less than 1%. The decrease is primarily due to an increase in operating expense in 2010.
- Total revenues from all sources were \$28,821,687 for governmental activities on the statement of activities and \$25,219,113 on the modified accrual basis. Total charges for services revenue from all sources were \$5,747,630 for business-type activities.
- Total cost of all programs was \$25,503,220 for governmental (\$16,081,476) and business type activities (\$9,421,744). This is an increase of \$518,034 over 2009.
- Governmental net capital assets totaled \$82,807,071 at December 31, 2010 and net assets equity was \$61,443,789
- Governmental expenditures exceeded revenues by \$22,735,004 in the fund-based statements due to spending \$16.7 million on infrastructure projects construction. Governmental Activities expenses exceeded revenue by \$9,783,483 (after transfers to enterprise activities of \$2,956,729).
- Unreserved fund balance for the General Fund was \$6,379,119 or 87% of the total 2010 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 27 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 two types 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 table's present condensed information on the City's Net Assets and Changes in Net Assets for the fiscal year ended December 31, 2010. 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 \$189,296,746 at the close of the most recent fiscal year. The City of West Fargo's net assets includes its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of West Fargo uses these 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, 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>

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE 1
NET ASSETS
December 31, 2009

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets	\$ 21,504,629	\$ 11,002,533	\$ 32,507,162
Noncurrent Assets	70,088,245	-	70,088,245
Capital Assets (net of accumulated depreciation)	72,895,755	134,770,149	207,665,904
Total Assets	\$164,488,629	\$145,772,682	\$310,261,311
LIABILITIES:			
Current Liabilities	\$ 11,791,843	\$ 808,481	\$ 12,600,324
Long-Term Liabilities	99,655,058	18,436,181	118,091,239
Total Liabilities	\$111,446,901	\$ 19,244,662	\$130,691,563
NET ASSETS:			
Invested in Capital Assets, net of Related Debt	\$ (36,672,245)	\$115,936,223	\$ 79,263,978
Restricted	77,161,607	-	77,161,607
Unrestricted	12,552,366	10,591,797	23,144,163
Total Net Assets	\$ 53,041,728	\$126,528,020	\$179,569,748

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

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
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
General Revenues:			
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	\$ 28,821,687	\$ 5,940,072	\$ 34,761,759
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	\$ 16,081,475	\$ 9,421,744	\$ 25,503,219
Excess before transfers	\$ 12,740,212	\$ (3,481,672)	\$ 9,258,540
Transfers	\$ (2,956,729)	\$ 2,956,729	\$ -
Net Assets – January 1	\$ 53,041,728	\$126,528,020	\$179,569,748
Prior Period Adjustment	(1,381,423)	1,846,879	465,456
Net Assets – January 1, as restated	\$ 51,660,305	\$128,374,899	\$180,035,204
Net Assets – December 31	\$ 61,443,788	\$127,849,956	\$189,293,744

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

TABLE II
CHANGES IN NET ASSETS
As of December 31, 2009

	Governmental Activities	Business-Type Activities	Total
Revenues			
<u>Program Revenues:</u>			
Charges for Services	\$ 1,043,231	\$ 5,831,617	\$ 6,874,848
Operating Grants & Contributions	819,421	-	819,421
Capital Grants & Contributions	16,487,973	-	16,487,973
<u>General Revenues:</u>			
Taxes	8,411,771	-	8,411,771
State Aid	768,798	-	768,798
Interest Earnings	515,939	69,200	585,139
Miscellaneous Revenue	264,512	327,145	591,657
Total Revenues	<u>\$ 28,311,645</u>	<u>\$ 6,227,962</u>	<u>\$ 34,539,607</u>
Expenses			
General Government	\$ 2,305,832	\$ -	\$ 2,305,832
Public Safety	5,232,894	-	5,232,894
Highways and Streets	3,888,782	-	3,888,782
Culture and Recreation	412,651	-	412,651
Conservation of Resources	109,841	-	109,841
Economic Development	41,049	-	41,049
Other	74,824	-	74,824
Interest and Service Charges	4,105,820	-	4,105,820
Sanitation Operations	-	1,485,142	1,485,142
Water and Sewer Operations	-	7,328,350	7,328,350
Total Expenses	<u>\$ 16,171,693</u>	<u>\$ 8,813,492</u>	<u>\$ 24,985,185</u>
Excess before transfers/special items	\$ 12,139,952	\$ (2,585,530)	\$ 9,554,422
Transfers	(20,510,537)	20,510,357	-
Change in Net Assets	<u>\$ (76,235)</u>	<u>\$ 6,001,711</u>	<u>\$ 5,925,476</u>
Net Assets – January 1	\$ 50,598,071	\$ 116,503,788	\$ 167,101,859
Prior Period Adjustment	10,814,062	(7,900,595)	2,913,467
Net Assets – January 1, as restated	<u>\$ 61,412,133</u>	<u>\$ 108,603,193</u>	<u>\$ 170,015,326</u>
Net Assets – December 31	<u>\$ 53,041,728</u>	<u>\$ 126,528,020</u>	<u>\$ 179,569,748</u>

A portion of the City of West Fargo's net assets totaling \$69,436,953 represents resources that are subject to external restrictions on how they may be used (debt service, highways & streets and other special purposes). Another portion of net assets equity totaling \$95,244,805 represents investment in capital assets less any related debt used to acquire those assets that are still outstanding. These capital assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, 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. The remaining balance of *unrestricted net assets* of \$24,611,988 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the 2010, the City of West Fargo is able to report positive balances of net assets for the government as a whole, and two of three categories for its separate governmental activities, while the business-type activities showed positive balances in the two categories. The City of West Fargo's total net assets increased by \$9,258,540 for the year ended December 31, 2010. The main reason for the increase was the expenditures of \$16.7 million in capital construction. Governmental program revenues for governmental capital grants and contributions increased as a result of nine new assessment districts being certified for storm sewer, street, street lighting and water and sewer projects. Additionally, a \$2.96 million transfer of infrastructure from governmental activities to business-type activities was done for completed projects.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

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. Such information is useful in assessing the City of West Fargo's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of West Fargo's governmental funds reported combined ending fund balances of \$9,097,986. The *unreserved fund balances* total (\$5,572,297). The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been reserved for loans and committed to pay debt service \$14,670,283 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, unreserved fund balance of the general fund was \$6,379,144. Unreserved fund balance represents 87% of total general fund expenditures.

The fund balance of the City of West Fargo's general fund increased \$1,206,967 during the current fiscal year. The main reason was increased transfers from construction funds for administration. Total fund balances decreased by \$8,932,526, primarily due to spending \$16.7 million on capital projects that exceeded revenues and financing sources by \$12 million.

The debt service fund has a total fund balance of \$14,570,308, all of which is reserved for the payment of debt service. An interfund loan receivable totaling \$979,423 was removed from beginning fund balance of the debt service fund because the loan was never going to be paid back.

Proprietary Funds

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

Unrestricted net assets of the Health and Sanitation Fund totaled \$1,180,707 and for Water and Sewer Funds \$8,840,516 for a total of \$10,021,223. Net unrestricted assets decreased by \$570,575 primarily due to a large bond payment decreasing unrestricted balance. Total growth in net assets equity for these funds was \$1,321,937. The majority of this increase is attributable to a prior period adjustment of land, buildings and removing an interfund loan payable from business-type activities.

General Fund Budgetary Highlights

The city did amend the original general budget (reserve) to \$83,867 (expenditures and transfers out).

- Revenue was more than expected amounts by \$230,721 (3.6%).
- Expenditures and transfers out were below appropriations by \$363,854 and expenditures were less than appropriations by \$287,051 (3.8%).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of West Fargo's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$217,983,249 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, infrastructure, buildings, machinery and equipment, and construction in progress. This is an increase of \$10.32 million, or 4.97% from 2009 ending amounts.

CITY OF WEST FARGO

Management's Discussion & Analysis - Continued

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.

TABLE III
CAPITAL ASSETS
(Net of Accumulated Depreciation)
December 31, 2010 and 2009

	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 5,925,756	\$ 774,500	\$ 6,700,256	\$ 6,428,056	\$ 372,500	\$ 6,800,556
Land Improvements	-	187,588	187,588	-	375,178	375,178
Buildings	1,292,607	2,146,529	3,439,136	1,342,713	1,780,684	3,123,397
Equipment	953,881	1,270,948	2,224,829	925,636	1,204,588	2,130,224
Infrastructure	57,783,385	125,737,050	183,520,435	56,499,734	125,977,636	182,477,370
Construction in Progress	16,851,442	5,059,563	21,911,005	7,699,616	5,059,563	12,759,179
Total Capital Assets	<u>\$82,807,071</u>	<u>\$135,176,178</u>	<u>\$217,983,249</u>	<u>\$72,895,755</u>	<u>\$134,770,149</u>	<u>\$207,665,904</u>

Long-Term Debt

At year-end the City had total debt of \$122,738,445 (excluding compensated absences), a net overall decrease of \$4,684,059 (3.7%) over the prior year. Total debt was \$123,596,577 including compensated absences. Note IV.E to the financial statements describes the City's long-term debt in greater detail.

The City issued new debt for Special Assessment Refunding Bonds in the amount of \$13,590,000. The City also defeased debt totaling \$8,155,000 and debt payments totaled approximately \$10 million for 2010. During the year ended December 31, 2010, the City's bond rating is at Aa-3

TABLE IV
OUTSTANDING LONG-TERM DEBT
As of December 31, 2010

	Total			Total	
	Outstanding Dec. 31, 2009	Increases	Decreases	Outstanding Dec. 31, 2010	Due Within 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	9,612,000
Compensated Absences	582,287	50,411	-	632,698	63,270
Total Governmental Activities	<u>\$110,150,287</u>	<u>\$13,640,411</u>	<u>\$17,767,000</u>	<u>\$106,023,698</u>	<u>\$10,870,270</u>
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	-	159,220	15,922
Total Business-Type Activities	<u>\$ 18,064,312</u>	<u>\$ 4,844</u>	<u>\$ 496,277</u>	<u>\$ 17,572,880</u>	<u>\$ 533,820</u>
Total Long-Term Debt	<u>\$128,225,381</u>	<u>\$13,645,255</u>	<u>\$18,263,277</u>	<u>\$123,596,578</u>	<u>\$11,404,090</u>

TABLE IV
OUTSTANDING LONG-TERM DEBT
 As of December 31, 2009

	Total Outstanding Dec. 31, 2008		Increases	Decreases	Total Outstanding Dec. 31, 2009		Due Within One Year
Governmental Activities:							
G.O. Bonds Payable	\$ 505,000	\$10,000,000		\$ 120,000	\$ 10,385,000		\$ 120,000
Revenue Bonds	2,815,000	2,225,000		3,545,000	1,495,000		740,000
Special Assessment Bonds	97,810,000	20,270,000		20,392,000	97,688,000		9,577,000
Compensated Absences	579,322	2,965		-	582,287		58,229
Total Governmental Activities	\$101,709,322	\$32,927,965		\$24,057,000	\$110,150,287		\$10,495,229
Business-Type Activities:							
Sewer Bonds	\$ 10,070,000	\$ 7,870,000		\$ 295,000	\$ 17,645,000		\$ 455,000
Contracts Payable	228,622	-		29,962	209,504		31,277
Compensated Absences	245,544	-		24,954	220,590		22,059
Total Business-Type Activities	\$ 10,544,166	7,870,000		\$ 349,916	\$ 18,075,094		\$ 508,336
Total Long-Term Debt	\$112,253,488	\$ 7,870,000		\$24,406,916	\$128,225,381		\$11,003,565

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Projects in 2010 that boosted the economy in West Fargo included the addition of \$10,982,655 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 2010. 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 \$70,719 to \$77,156 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, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Airport	Library
ASSETS:					
Cash and investments	\$ 9,427,543	\$ 9,943,841	\$ 19,371,384	\$ 112,580	\$ 341,957
Accounts receivable	11,506	450,230	461,736	-	-
Loan receivable	99,975	-	99,975	-	-
Taxes receivable	160,550	-	160,550	4,205	18,964
Special assessments receivable - current	1,947,932	-	1,947,932	-	-
Long-Term Receivable:					
Long-term special assessments receivable	74,091,996	-	74,091,996	-	-
Capital Assets:					
Land	5,925,756	774,500	6,700,256	100,000	-
Improvements to land	-	187,588	187,588	-	-
Buildings	1,292,607	2,146,529	3,439,136	220,470	-
Equipment	953,881	1,270,948	2,224,829	6,675	-
Infrastructure	57,783,385	125,737,050	183,520,436	-	-
Construction in progress	16,851,442	5,059,563	21,911,005	-	-
Total Capital Assets	<u>\$ 82,807,071</u>	<u>\$ 135,176,179</u>	<u>\$ 217,983,250</u>	<u>\$ 327,145</u>	<u>\$ -</u>
Total Assets	<u>\$ 168,546,573</u>	<u>\$ 145,570,250</u>	<u>\$ 314,116,823</u>	<u>\$ 443,930</u>	<u>\$ 360,921</u>
LIABILITIES:					
Retainages payable	\$ 441,038	\$ -	\$ 441,038	\$ -	\$ -
Interest payable	638,049	147,414	785,463	-	-
Long-Term Liabilities:					
Portion Due or Payable Within One Year:					
Bonds payable	10,807,000	480,000	11,287,000	-	-
Contracts payable	-	31,277	31,277	-	-
Compensated absences	63,270	22,543	85,813	-	3,196
Portion Due or Payable After One Year:					
Bonds payable	94,584,000	16,700,000	111,284,000	-	-
Contracts payable	-	136,168	136,168	-	-
Compensated absences	569,428	202,891	772,319	-	28,763
Total Liabilities	<u>\$ 107,102,785</u>	<u>\$ 17,720,293</u>	<u>\$ 124,823,078</u>	<u>\$ -</u>	<u>\$ 31,959</u>
NET ASSETS:					
Invested in capital assets, net of related debt	\$ (22,583,929)	\$ 117,828,734	\$ 95,244,805	\$ 327,145	\$ -
Restricted for:					
Highways & streets	153,301	-	153,301	-	-
Other Special Purposes	35,521	-	35,521	-	-
Debt service	69,248,131	-	69,248,131	-	-
Unrestricted	<u>14,590,765</u>	<u>10,021,223</u>	<u>24,611,988</u>	<u>116,785</u>	<u>328,962</u>
Total Net Assets	<u>\$ 61,443,789</u>	<u>\$ 127,849,957</u>	<u>\$ 189,293,746</u>	<u>\$ 443,930</u>	<u>\$ 328,962</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, 2010

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	\$ 2,704,178	\$ 683,238	\$ 52,972	\$ -	\$ (1,967,969)		\$ (1,967,969)		
Public safety	5,217,220	311,725	268,880	-	(4,636,615)		(4,636,615)		
Highways and streets	3,053,650	12,460	141,325	17,415,115	14,515,250		14,515,250		
Economic development	39,482	-	-	-	(39,482)		(39,482)		
Conserv. of natural resources	82,971	130,784	25,000	-	72,813		72,813		
Culture and recreation	252,565	-	-	-	(252,565)		(252,565)		
Miscellaneous/other	779,246	-	-	-	(779,246)		(779,246)		
Interest on long-term debt	3,952,163	-	-	-	(3,952,163)		(3,952,163)		
Total Governmental Activities	\$ 16,081,476	\$ 1,138,207	\$ 488,176	\$ 17,415,115	\$ 2,960,023		\$ 2,960,023		
Business-Type Activities:									
Water and sewer	\$ 7,634,713	\$ 4,066,388	\$ -	\$ -	\$ -	\$ (3,568,325)	\$ (3,568,325)		
Health and sanitation	1,787,031	1,640,922	-	-	-	(146,109)	(146,109)		
Total Business-Type Activities	\$ 9,421,744	\$ 5,707,310	\$ -	\$ -	\$ -	\$ (3,714,434)	\$ (3,714,434)		
Total Primary Government	\$ 25,503,220	\$ 6,845,517	\$ 488,176	\$ 17,415,115	\$ 2,960,023	\$ (3,714,434)	\$ (754,411)		
Component Units:									
Library	\$ 659,137	\$ 11,987	\$ 34	\$ -			\$ -	\$ (647,116)	
Airport	207,242	16,309	-	28,173			(162,761)	-	
Total Component Units	\$ 866,379	\$ 28,296	\$ 34	\$ 28,173			\$ (162,761)	\$ (647,116)	
General Revenues:									
Taxes:									
Property taxes, levied for general purposes					\$ 5,501,227	\$ -	\$ 5,501,227	\$ 145,985	\$ 649,194
Property taxes, levied for debt service					200,994	-	200,994	-	-
Sales taxes					2,425,653	-	2,425,653	-	-
Franchise taxes					180,095	-	180,095	-	-
State aid distribution					832,682	-	832,682	2,200	20,633
Unrestricted investment interest					300,336	40,320	340,656	1,711	5,552
Miscellaneous					339,202	192,442	531,644	-	78
Transfers					(2,956,729)	2,956,729	-	-	-
Total General Revenues and Transfers					\$ 6,823,460	\$ 3,189,491	\$ 10,012,951	\$ 149,896	\$ 675,457
Change in Net Assets					\$ 9,783,483	\$ (524,943)	\$ 9,258,540	\$ (12,864)	\$ 28,340
Net Assets - January 1					\$ 53,041,728	\$ 126,528,021	\$ 179,569,749	\$ 456,794	\$ 300,622
Prior Period Adjustment					(1,381,423)	1,846,879	465,456	-	-
Net Assets - January 1, as restated					\$ 51,660,305	\$ 128,374,900	\$ 180,035,205	\$ 456,794	\$ 300,622
Net Assets - December 31					\$ 61,443,788	\$ 127,849,957	\$ 189,293,745	\$ 443,930	\$ 328,962

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, 2010

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 6,279,144	\$ 2,075,978	\$ -	\$ -	\$ 1,072,420	\$ 9,427,542
Accounts receivable	-	-	-	-	11,506	11,506
Loan receivable	99,975	-	-	-	-	99,975
Taxes receivable	131,783	-	3,939	-	24,827	160,550
Special assessments receivable - current	-	-	1,947,932	-	-	1,947,932
Special assessments receivable - deferred	-	-	74,091,996	-	-	74,091,996
Due from other city funds	-	6,022,583	14,570,308	-	-	20,592,891
Total Assets	\$ 6,510,903	\$ 8,098,561	\$ 90,614,176	\$ -	\$ 1,108,754	\$ 106,332,393
LIABILITIES AND FUND BALANCES						
Liabilities:						
Retainages payable	\$ -	\$ -	\$ -	\$ 441,037	\$ -	\$ 441,037
Due to other city funds	-	-	-	20,592,891	-	20,592,891
Deferred revenues	131,783	-	76,043,868	-	24,827	76,200,478
Total Liabilities	\$ 131,783	\$ -	\$ 76,043,868	\$ 21,033,928	\$ 24,827	\$ 97,234,407
Fund Balances:						
Reserved for:						
Debt service	\$ -	\$ -	\$ 14,570,308	\$ -	\$ -	\$ 14,570,308
Loans receivable	99,975	-	-	-	-	99,975
Unreserved, reported in:						
General fund	6,279,144	-	-	-	-	6,279,144
Special revenue funds	-	8,098,561	-	-	1,083,927	9,182,487
Capital project funds	-	-	-	(21,033,928)	-	(21,033,928)
Total Fund Balances	\$ 6,379,119	\$ 8,098,561	\$ 14,570,308	\$ (21,033,928)	\$ 1,083,927	\$ 9,097,986
Total Liabilities and Fund Balances	\$ 6,510,903	\$ 8,098,561	\$ 90,614,176	\$ -	\$ 1,108,754	\$ 106,332,393

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, 2010

Total *Fund Balances* for Governmental Funds \$ 9,097,986

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)	16,851,442	
Infrastructure, net of \$13,364,578 accumulated depreciation	57,783,385	
Buildings, net of \$779,389 accumulated depreciation	1,292,607	
Equipment, net of \$1,646,438 accumulated depreciation	<u>953,881</u>	
Total Capital Assets		82,807,071

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	\$ 74,091,996	
Uncollected Taxes Receivable	160,550	
Special Assessments Receivable	<u>1,947,932</u>	76,200,478

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, 2010 are:

Accrued interest on bonds	\$ (638,049)	
Bonds payable	(105,391,000)	
Compensated absences	<u>(632,698)</u>	
Total Long-Term Liabilities		<u>(106,661,747)</u>

Total Net Assets of Governmental Activities \$ 61,443,789

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, 2010

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes and special assessments	\$ 4,599,843	\$ -	\$ 13,155,430	\$ -	\$ 903,287	\$ 18,658,560
Sales taxes	-	2,425,653	-	-	-	2,425,653
Licenses, permits and fees	638,519	-	-	-	252,641	891,160
Charges for services	-	-	-	-	132,934	132,934
Intergovernmental	1,004,098	-	-	144,586	1,300,600	2,449,284
Fines, forfeitures and penalties	251,728	-	-	-	-	251,728
Interest on investments	66,310	60,133	154,572	6,784	12,538	300,336
Miscellaneous	19,226	-	-	-	90,232	109,458
Total Revenues	\$ 6,579,722	\$ 2,485,786	\$ 13,310,002	\$ 151,370	\$ 2,692,233	\$ 25,219,113
<u>Expenditures:</u>						
Current:						
General government	\$ 2,035,746	\$ -	\$ -	\$ -	\$ 203,468	\$ 2,239,214
Public safety	3,841,790	-	-	-	1,476,502	5,318,292
Public works/streets	1,303,172	-	-	-	17,646	1,320,819
Conserv. of natural resources	-	-	-	-	82,971	82,971
Economic development	106,338	-	-	-	39,482	145,820
Culture and recreation	-	-	-	-	252,565	252,565
Miscellaneous/other	-	-	-	-	74,230	74,230
Debt Service:						
Principal	-	-	17,767,000	-	-	17,767,000
Interest and fiscal charges	-	-	3,995,747	-	-	3,995,747
Capital outlay	27,844	-	-	16,729,615	-	16,757,460
Total Expenditures	\$ 7,314,890	\$ -	\$ 21,762,747	\$ 16,729,615	\$ 2,146,864	\$ 47,954,116
Excess (Deficiency) of Revenues Over Expenditures	\$ (735,168)	\$ 2,485,786	\$ (8,452,745)	\$ (16,578,246)	\$ 545,369	\$ (22,735,004)
<u>Other Financing Sources (Uses):</u>						
Proceeds from bond sale	\$ -	\$ -	\$ 5,935,000	\$ 7,655,000	\$ -	\$ 13,590,000
Bond discount	-	-	(59,350)	-	-	(59,350)
Transfers in	2,052,805	-	6,062,180	865,817	54,648	9,035,450
Transfers out	(110,670)	(1,622,700)	(5,796,132)	(319,746)	(914,375)	(8,763,623)
Total Other Financing Sources and Uses	\$ 1,942,135	\$ (1,622,700)	\$ 6,141,699	\$ 8,201,071	\$ (859,727)	\$ 13,802,477
Net Change in Fund Balances	\$ 1,206,967	\$ 863,086	\$ (2,311,046)	\$ (8,377,175)	\$ (314,359)	\$ (8,932,526)
Fund Balances - January 1	\$ 5,172,152	\$ 7,235,475	\$ 17,860,777	\$ (12,656,754)	\$ 1,398,285	\$ 19,009,935
Prior Period Adjustments	-	-	(979,423)	-	-	(979,423)
Fund Balances - Jan. 1, as restated	\$ 5,172,152	\$ 7,235,475	\$ 16,881,354	\$ (12,656,754)	\$ 1,398,285	\$ 18,030,512
Fund Balances - December 31	\$ 6,379,119	\$ 8,098,561	\$ 14,570,308	\$ (21,033,929)	\$ 1,083,926	\$ 9,097,986

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, 2010

Net Change in *Fund Balances* - Total Governmental Funds \$ (8,932,526)

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 (\$17,415,115) exceeded depreciation and losses on disposals (\$4,145,070) of capital assets in the current period. 13,270,045

Transfers to enterprise funds for capital assets are not recorded in the modified accrual basis of accounting; however, on the accrual basis a transfer is recorded in the governmental activities and business-type activities. (2,956,728)

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	\$	(13,590,000)	
Repayments:			
Bond Principal		<u>17,767,000</u>	4,177,000

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	\$	(50,411)	
Net Decrease in Interest Payable		<u>43,584</u>	(6,827)

Special assessments levied in the current period are not considered as available resources in the governmental funds; however, they are revenues in the statement of activities. Likewise, collections of current 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: 4,003,751

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		(1,903)	
Net Increase in Special Assessments Receivable		<u>230,672</u>	

Change in Net Assets of Governmental Activities \$ 9,783,484

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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash and investments	\$ 8,843,350	\$ 1,100,490	\$ 9,943,841
Accounts receivable	302,169	148,061	450,230
Total Current Assets	<u>\$ 9,145,519</u>	<u>\$ 1,248,552</u>	<u>\$ 10,394,071</u>
Noncurrent Assets:			
Capital Assets:			
Land	\$ 774,500	\$ -	\$ 774,500
Improvements to land	187,588	-	187,588
Building	1,211,030	935,499	2,146,529
Equipment	795,460	475,488	1,270,948
Construction in progress	5,059,563	-	5,059,563
Infrastructure	125,737,050	-	125,737,050
Total Noncurrent Assets	<u>\$ 133,765,192</u>	<u>\$ 1,410,987</u>	<u>\$ 135,176,179</u>
Total Assets	<u>\$ 142,910,711</u>	<u>\$ 2,659,539</u>	<u>\$ 145,570,250</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Interest payable	\$ 145,784	\$ 1,630	\$ 147,414
Bonds payable	480,000	-	480,000
Contracts payable	-	31,277	31,277
Compensated absences	15,922	6,621	22,543
Total Current Liabilities	<u>\$ 641,706</u>	<u>\$ 39,528</u>	<u>\$ 681,234</u>
Noncurrent Liabilities:			
Bonds payable	\$ 16,700,000	\$ -	\$ 16,700,000
Contracts payable	-	136,168	136,168
Compensated absences	143,298	59,593	202,891
Total Noncurrent Liabilities	<u>\$ 16,843,298</u>	<u>\$ 195,761</u>	<u>\$ 17,039,059</u>
Total Liabilities	<u>\$ 17,485,004</u>	<u>\$ 235,289</u>	<u>\$ 17,720,293</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 116,585,192	\$ 1,243,542	\$ 117,828,734
Unrestricted	8,840,516	1,180,707	10,021,223
Total Net Assets	<u>\$ 125,425,708</u>	<u>\$ 2,424,249</u>	<u>\$ 127,849,957</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
December 31, 2010

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>Operating Revenues:</u>			
Charges for sales services	\$ 4,066,388	\$ 1,640,922	\$ 5,707,310
<u>Operating Expenses:</u>			
Water and sewer operating	\$ 2,909,005	\$ -	\$ 2,909,005
Sanitation operating	-	1,585,913	1,585,913
Depreciation	3,921,249	99,863	4,021,112
Total Operating Expenses	\$ 6,830,254	\$ 1,685,776	\$ 8,516,030
Operating Income	\$ (2,763,866)	\$ (44,854)	\$ (2,808,720)
<u>Nonoperating Revenues (Expenses):</u>			
Investment earnings	\$ 30,735	\$ 9,586	\$ 40,321
Miscellaneous	-	192,442	192,442
Interest expense	(804,459)	(101,255)	(905,714)
Total Nonoperating Revenue (Expenses)	\$ (773,724)	\$ 100,774	\$ (672,951)
Income Before Transfers	\$ (3,537,590)	\$ 55,920	\$ (3,481,671)
Transfers in	\$ 3,506,729	\$ -	\$ 3,506,729
Transfers out	(550,000)	-	(550,000)
Changes in Net Assets	\$ (580,862)	\$ 55,920	\$ (524,942)
Net Assets - January 1	\$ 125,139,113	\$ 1,388,908	\$ 126,528,021
Prior Period Adjustment	867,456	979,422	1,846,878
Net Assets - January 1, as restated	\$ 126,006,569	\$ 2,368,330	\$ 128,374,899
Net Assets - December 31	\$ 125,425,707	\$ 2,424,250	\$ 127,849,957

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, 2010

	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	\$ 4,062,906	\$ 1,833,609	\$ 5,896,515
Payments to suppliers	(1,838,671)	(1,157,313)	(2,995,984)
Payments to employees	(1,028,697)	(621,900)	(1,650,597)
Net Cash Provided by Operating Activities	<u>\$ 1,195,538</u>	<u>\$ 54,396</u>	<u>\$ 1,249,934</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Property, sales and use taxes	\$ 2,833	\$ 183,291	\$ 186,125
Miscellaneous	(88,075)	-	(88,075)
Transfers out	(300,000)	-	(300,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (385,242)</u>	<u>\$ 183,291</u>	<u>\$ (201,950)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal paid on capital debt	\$ (465,000)	\$ (31,277)	\$ (496,277)
Interest paid on capital debt	(804,459)	(101,255)	(905,714)
Construction of capital assets	(231,917)	(71,040)	(302,957)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (1,501,376)</u>	<u>\$ (203,572)</u>	<u>\$ (1,704,948)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest income	\$ 30,735	\$ 9,586	\$ 40,320
Net Increase in Cash and Cash Equivalents	<u>\$ (660,345)</u>	<u>\$ 43,701</u>	<u>\$ (616,644)</u>
Cash and Cash Equivalents - January 1	<u>\$ 9,503,695</u>	<u>\$ 1,056,789</u>	<u>\$ 10,560,484</u>
Cash and Cash Equivalents - January 1, as restated	<u>\$ 9,503,695</u>	<u>\$ 1,056,789</u>	<u>\$ 10,560,484</u>
Cash and Cash Equivalents - December 31	<u>\$ 8,843,350</u>	<u>\$ 1,100,490</u>	<u>\$ 9,943,840</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (loss)	\$ (2,763,866)	\$ (44,854)	\$ (2,808,720)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Depreciation expense	3,921,249	99,863	4,021,112
Increase / decrease in utility billing receivables	(3,482)	(4,699)	(8,181)
Increase in compensated absences	758	4,086	4,844
Decrease in interest payable	40,879	-	40,879
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,195,538</u>	<u>\$ 54,396</u>	<u>\$ 1,249,934</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, 2010

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and investments	<u>\$ 383,574</u>
<u>LIABILITIES:</u>	
Due to others	<u>\$ 383,574</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, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of West Fargo, West Fargo, North Dakota, operates under a home rule charter. 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.

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.

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

The City reports the following major proprietary funds:

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

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

In addition, the City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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/Improvement	30 - 50
Equipment/Machinery	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.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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 Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are legally segregated for a specific future use or are not available for appropriations for expenditures or expenses.

7. Inter-fund Transactions

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

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

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 \$52,345,802 differences are as follows:

Total Governmental Fund Balances		\$ 9,097,986
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		82,807,071
Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds.		71,967,958
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	\$(105,391,000)	
Interest Payable	(638,049)	
Compensated Absences Payable	(632,698)	(106,661,747)
Net Assets of Governmental Activities		\$ 61,443,789

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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 \$18,716,010 difference are as follows:

Net Changes in Fund Balance-Governmental Funds	\$ (8,932,526)
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 in the current period.	13,270,045
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.	43,584
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.	(50,411)
Capital grants 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.	(2,956,728)
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.	228,769
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.	(13,590,000)
Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in net assets.	17,767,000
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:	4,003,751
Change in Net Assets of Governmental Activities	\$ 9,783,484

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCCOUNTABILITY

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

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

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

The governing board approved the following budget amendments to the 2010 city budget:

Fund #	Fund	Amendment
1001	General Fund Reserve	\$ 83,867
2060	Fire	615,394
2130	Municipal Highway	873,849
2200	Vector Control	105,968
2240	Flood Control	380,960
7040	Airport Authority	43,497

NOTE 4: DETAILED NOTES ON ALL FUNDS**A. Deposits and Investments**

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

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

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

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

At year ended December 31, 2010, the city's carrying amount of deposits was \$20,209,494 and the bank balances were \$21,187,104. Of the bank balances, \$1,000,000 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, 2010, the city held certificates of deposit totaling \$3,207,662.

The City's bond rating was Aa-3 during the year ended December 31, 2010.

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	Total
Accounts	\$ 99,975	\$ -	\$302,169	\$148,061	\$11,506	\$ 561,711
Taxes	131,783	3,939	-	-	24,827	160,550
Specials-Current	-	1,947,932	-	-	-	1,947,932
Specials-Deferred	-	74,091,996	-	-	-	74,091,996
Total Net Receivables	\$231,758	\$76,043,868	\$302,169	\$148,061	\$36,333	\$76,762,689

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:

C. Inter-fund Receivables/Payables and Transfers

The amount of due to/from other funds represents the \$20,592,891 the capital projects funds owe the debt service sales tax fund for over expending their share of the pooled cash account.

The following is a schedule of inter-fund transfers for the year ended December 31, 2010:

Transfers In						
Transfers Out:	General	Debt Service	Capital Projects	Non-major Funds	Water Sewer	Totals
General	\$ -	\$ -	\$ 56,022	\$54,648	\$ -	\$ 110,670
Sales Tax Fund	-	1,122,700	500,000	-	-	1,622,700
Debt Service	606,299	4,903,622	286,210	-	-	5,796,131
Capital Projects	260,304	35,858	23,585	-	-	319,747
Non-major Govt.	886,202	-	-	28,173	-	914,375
Water & Sewer	300,000	-	-	-	250,000	550,000
Totals	\$2,052,805	\$6,062,180	\$865,817	\$82,821	\$250,000	\$9,313,623

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Transfers in/out consist of the following:

- \$300,000 from Water and Sewer to General to supplement other fund sources.
- \$856,202 from Highway tax to General to fund street expenses.
- \$606,299 from Debt Service to general reserve for administrative cost.
- \$1,122,700 from Sales tax to Debt Service for scheduled payment.
- Various other transfers in and out among debt service funds and capital projects funds for various debt payments and capital projects.

D. Capital Assets

Governmental Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,428,056	\$ -	\$ 502,300	\$ 5,925,756
Construction in Progress	7,699,615	17,172,438	8,020,611	16,851,442
Total Capital Assets, not being depreciated	\$14,127,672	\$17,172,438	\$8,522,911	\$22,777,198
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,071,995	\$ -	\$ -	\$ 2,071,995
Equipment	2,359,656	240,682	-	2,600,338
Infrastructure	66,409,641	4,763,883	-	71,173,524
Total Capital Assets, Being Depreciated	\$70,841,292	\$ 5,004,565	\$ -	\$75,845,857
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 729,263	\$ 50,107	\$ -	\$ 779,370
Equipment	1,434,019	212,457	-	1,646,476
Infrastructure	9,909,906	3,480,232	-	13,390,138
Total Accumulated Depreciation	\$12,073,188	\$ 3,742,796	\$ -	\$15,816,004
Total Capital Assets Being Depreciated, Net	\$58,768,104	\$ 1,261,769	\$ -	\$60,029,853
Governmental Activities - Capital Assets, Net	\$72,895,775	\$18,434,207	\$8,522,911	\$82,807,071

Business-Type Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
<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	-	-	2,330,095
Equipment	6,286,769	253,023	-	6,539,792
Infrastructure	134,891,163	3,256,728	-	138,147,892
Total Capital Assets, Being Depreciated	\$147,259,823	\$3,509,751	\$ -	\$150,769,574
<i>Less Accumulated Depreciation for:</i>				
Land Improvements	\$ 3,376,618	\$ 187,590	\$ -	\$ 3,564,208
Buildings	124,411	59,155	-	224,022
Equipment	5,032,247	231,931	-	5,268,843
Infrastructure	8,913,527	3,497,315	-	12,410,842
Total Accumulated Depreciation	\$ 17,451,467	\$3,975,991	\$ -	\$ 21,467,915
Total Capital Assets Being Depreciated, Net	\$129,808,356	\$ (466,240)	\$ -	\$129,342,116
Business-Type Activities - Capital Assets, Net	\$135,642,419	\$ (466,240)	\$ -	\$135,176,179

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Depreciation expense was charged to the following functions/programs of the City's governmental activities for the current fiscal year (\$3,742,796):

Governmental Activities:	Amounts
General Government	\$ 51,274
Public Safety	148,344
Highways and Streets	3,543,178
Total Depreciation Expense-Governmental Activities	\$3,742,796

Component Unit – Airport:

Capital Asset activity for the year ended December 31, 2010 was as follows for the Airport:

Airport Authority - Governmental Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10
<i>Capital assets not being depreciated:</i>				
Land	\$100,000	\$ -	\$ -	\$100,000
<i>Capital assets being depreciated:</i>				
Buildings	\$260,006	\$ -	\$ -	\$260,006
Equipment	8,900	-	-	8,900
Total Capital Assets, Being Depreciated	\$268,906	\$ -	\$ -	\$268,906
<i>Less Accumulated Depreciation for:</i>				
Building	\$ 31,631	\$ 7,905	\$ -	\$ 39,536
Equipment	1,780	445	-	2,225
Total Accumulated Depreciation	\$ 33,411	\$ 8,350	\$ -	\$ 41,761
Total Capital Assets Being Depreciated, Net	\$235,495	\$(8,350)	\$ -	\$235,487
Business-Type Activities - Capital Assets, Net	\$335,495	\$(8,350)	\$ -	\$327,145

E. Long-term Debt

Changes in Long-Term Liabilities:

During the year ended December 31, 2010, the following changes occurred in long-term liabilities of governmental and business type activities:

Governmental Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10	Due Within One Year
General Obligation Bonds	\$ 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	9,612,000
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	\$10,870,270

Business-Type Activities:	Balance 1-1-10	Increases	Decreases	Balance 12-31-10	Due Within One Year
Contracts Payable	\$ 198,722	\$ -	\$ 31,277	\$ 167,445	\$ 31,877
Sewer Bonds	17,645,000	-	465,000	17,180,000	480,000
Compensated Absences *	220,590	4,844	-	225,434	22,543
Total Governmental Activities	\$18,064,312	\$4,844	\$496,277	\$17,572,879	\$533,820

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

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Contracts Payable – Business-Type Activities:

The City entered into a lease purchase on September 6, 2005 with Municipal Service Group to purchase Sewer and Water equipment. The contract calls for annual payments of \$40,474 with interest at 4%, through 2015.

The future minimum payments for these contracts are as follows:

Year Ending December 31	Contracts
2011	\$ 40,474
2012	40,474
2013	40,474
2014	40,474
2015	40,474
Total Contract Payments	\$202,370
Less: Amount Representing Interest	(34,925)
Present Value of Contract Payments	<u>\$167,445</u>

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 \$130,000 to \$135,000 through 2012; interest at 3.45% to 3.65%.	\$ 265,000
\$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>10,000,000</u>
Total G.O. Bonds	<u>\$10,265,000</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
2011	\$ 440,000	\$ 345,058
2012	760,000	333,601
2013	640,000	314,513
2014	650,000	298,513
2015	670,000	282,263
2016 – 2020	3,655,000	1,101,148
2021 - 2025	3,450,000	373,100
TOTALS	<u>\$10,265,000</u>	<u>\$3,047,194</u>

CITY OF WEST FARGONotes to the Financial Statements - Continued

The City also issued \$13,590,000 of special assessment debt in 2010 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:

\$3,030,000 Refunding Improvement Bonds of 2003 - Series A, due in annual installments of \$50,000 to \$140,000 through 2013; interest at 3.6% to 3.85%.	\$ 240,000
\$1,120,000 Refunding Improvement Bonds of 2001 – Series B, due in one annual installments of \$105,000 in 2011; interest at 4.15%.	105,000
\$4,045,000 Refunding Improvement Bonds of 1998 - Series B due in annual installments of \$275,000 through 2013; interest at 4.0%.	825,000
\$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 \$780,000 through 2017; interest at 3.0%.	5,250,000
\$3,275,000 Refunding Improvement Bonds of 2002, Series B, due in annual installments of \$100,000 to \$345,000 through 2012; interest at 3.95% to 4.0%.	445,000
\$122,000 Sidewalk Warrants #6037 of 2001, due in annual installments of \$12,000 \$14,000 through 2012; interest at 4.35%.	26,000
\$5,430,000 Refunding Improvement Bonds of 2009, Series B (refund of 2003C and 2003D), due in annual installments of \$290,000 to \$835,000 through 2018; interest at 2.50% to 4.0%.	4,515,000
\$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%.	7,725,000
\$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%.	525,000
\$530,000 Municipal Finance Bonds of 2009, due in annual installments of \$10,000 to \$35,000 through 2039; interest at 2.0% to 5.50%.	520,000
\$5,935,000 Refunding Improvement Bonds of 2010, Series A, due in annual installments of \$600,000 to \$720,000 through 2019; interest at 1.0% to 3.50%.	5,935,000
\$7,130,000 Refunding Improvement Bonds of 2010, Series B, due in annual installments of \$265,000 to \$335,000 through 2035; interest at 2.0% to 4.0%.	7,130,000
\$4,880,000 Refunding Improvement Bonds of 2004, Series B, due in annual installments of \$210,000 to \$325,000 through 2020; interest at 3.0% to 4.0%.	3,120,000

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Special Assessment Bonds – Continued:

\$135,000 Sidewalk Warrants 2004, due in annual installments of \$15,000 through 2014; interest at 5.0%.	60,000
\$10,000,000 Refunding Improvement Bonds of 2005, Series A, due in annual installments of \$665,000 through 2020; interest at 3.25% to 4.0%.	6,650,000
\$11,545,000 Refunding Improvement Bonds of 2005, Series B, due in annual installments of \$785,000 to \$800,000 through 2020; interest at 3.5% to 4.0%.	7,940,000
\$4,730,000 Refunding Improvement Bonds of 2005, Series C, due in annual installments of \$240,000 to \$500,000 through 2016; interest at 4.0%.	2,690,000
\$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%.	4,845,000
\$9,775,000 Refunding Improvement Bonds of 2006, Series A, due in annual installments of \$670,000 to \$710,000 through 2021; interest at 4.0%.	7,460,000
\$225,000 Sidewalk Bonds of 2006, due in annual installments of \$20,000 to \$25,000 through 2016; interest at 4.1% to 4.25%.	135,000
\$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$700,000 through 2023; interest at 4.00%.	8,465,000
\$6,345,000 Refunding Improvement Bonds of 2007, Series B due in annual installments of \$265,000 to \$460,000 through 2023; interest at 4.00% to 4.25%.	5,350,000
\$240,000 Sidewalk Bonds of 2007, due in annual installments of \$20,000 to \$25,000 through 2017; interest 4.0% to 4.1%	165,000
\$215,000 Sidewalk Bonds of 2008, due in annual installments of \$20,000 to \$25,000 through 2018; interest 3.15% to 4.0%.	165,000
\$5,635,000 Refunding Improvement Bonds 2008, Series A due in annual installments of \$540,000 to \$580,000 through 2018; interest 4.0%.	4,535,000
\$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 4.50%.	2,395,000
\$7,080,000 Refunding Improvement Bonds 2008, Series C due in annual installments of \$450,000 to \$515,000 through 2024; interest 3.5% to 4.75%.	6,565,000
\$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>570,000</u>
Total Special Assessment Bonds	<u>\$94,371,000</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
2011	\$ 9,607,000	\$ 3,290,335
2012	9,389,000	2,942,154
2013	9,275,000	2,627,434
2014	8,845,000	2,234,128
2015	8,325,000	2,027,326
2016 – 2020	33,580,000	6,029,331
2021 – 2025	9,435,000	1,930,875
2026 – 2030	3,080,000	948,054
2031 – 2035	2,710,000	295,177
2036 – 2040	125,000	7,375
TOTALS	\$94,371,000	\$22,422,189

Revenue Bonds:

The City also issued bonds where the government pledges income derived the acquired or constructed asset to pay debt service and from the collection of a 1% city sales tax. Revenue bonds outstanding at year end are as follows:

Governmental Activities:

\$2,225,000 (Refund of Sales Tax Revenue Bonds of 2002 and new issue) due in one annual Installments of \$755,000 in 2011; interest at 2.0% - Governmental Funds (Governmental Activities), total interest of \$15,100. \$ 755,000

Total Revenue Bonds \$ 755,000

Business Type Activities:

\$10,820,000 Water & Sewer Revenue Bonds, Series 2005, due in annual installments of \$305,000 to \$700,000 through 2030; interest at 4.0% to 5.0% - Enterprise Funds (Business-Type Activities). \$ 9,440,000

\$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). 30,000

\$7,870,000 Water and Sewer Revenue Bonds Series 2009 due in annual installments of \$165,000 to \$1,140,000 through 2034; interest at 2.625% to 6.375% - Enterprise Funds (Business-Type Activities) 7,710,000

Total Business-Type Activities Revenue Bonds \$17,180,000

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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
2011	\$ 480,000	\$ 874,326
2012	500,000	857,545
2013	515,000	840,032
2014	525,000	820,457
2015	545,000	799,458
2016 – 2020	3,110,000	3,624,875
2021 – 2025	3,915,000	2,807,394
2026 – 2030	5,040,000	1,663,964
2031 - 2035	2,550,000	474,300
TOTALS	\$17,180,000	\$12,762,352

F. Contingent Liability

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

G. Pension Plan

The City of West Fargo contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, Post Office Box 1214, Bismarck, ND, 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, 2010, 2009 and 2008 were \$314,535, \$281,737, and \$241,570, 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, 2010:

Fund	Balance
<u>Non-major Fund - Special Revenue:</u>	
Vector Control	\$ (65,639)
Flood Control	(85,930)
<u>Debt Service Funds (Major):</u>	
Sidewalk Bonds 2010	(1,741)
Refunding Improvement Bonds 2007 Series B	(387,354)
TIF Bonds 2009 Titan (Charles Wood)	(28,950)
<u>Capital Projects Funds (Major):</u>	
Total Capital Projects Funds	(20,592,891)

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

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

- Transfer General Fund moneys sufficient to relieve deficits.
- Issue bonds to finance capital projects.
- Collect Special assessments to relieve deficits.

NOTE 6: RISK MANAGEMENT

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

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

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

The City of West Fargo has workers compensation insurance with North Dakota Workforce, Safety and Insurance and provides health, dental and vision insurance benefits for full-time employees through Blue Cross Blue Shield of North Dakota. The city pays 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 9 construction projects open at year-end. The total amount of construction costs in progress was \$17,075,932 with contract amounts of \$19,853,202 leaving total construction commitments of \$2,777,270 at December 31, 2010. Additional details regarding open construction commitments are as follows:

NOTE 8: CONDUIT DEBT

From time to time, the City of West Fargo has lent their name to private industries to help them secure community development block grant loans. The loans are issued for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity. The City is not obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

The total principal balance of the four CDBG loans issued to Sno Bear Industries, LLC totaled \$400,000 at December 31, 2010. The outstanding principal balance on those loans was \$395,785.

NOTE 9: SUBSEQUENT EVENTS

In February and August of 2011, the City Commission approved the issuance of the following bond issues:

- \$5,315,000 Refunding Improvement Bonds of 2011, Series A. The bonds were issued to refund bonds for 2005, Series B (February 2011).
- \$2,645,000 Refunding Improvement Bonds of 2011, Series B. The bonds were issued to refund bonds for 2004, Series B (February 2011).
- \$9,960,000 Refunding Improvement Bonds of 2011, Series C. The bonds were issued to finance various construction projects (August 2011).

NOTE 10: 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 11: DEBT DEFEASANCE

At the February 15, 2010 board meeting, the West Fargo City County Commission moved to refund two bond issues to obtain interest savings and realize an economic gain.

2010 Refunding Bonds, Series A totaling \$5,935,000 with an effective true interest rate of 3.16% to refund the remaining 2003E and 2004A Refunding Bonds for a total cost saving of \$270,098 and a Net present value savings (economic gain) of \$232,751.

NOTE 12: PRIOR PERIOD ADJUSTMENTS

A prior period adjustment totaling a negative amount of \$979,423 was made to beginning fund balance of the debt service major fund 3730 due to a previously uncollectible receivable for the transfer station. This also affected net assets equity shown on the statement of activities for the governmental activities. This also affected a contract payable and beginning net assets equity reported in enterprise activities and the health and sanitation major fund equity due to governmental activities which was removed.

Additionally, prior period adjustments were made for various capital asset errors to reclassify \$402,000 of land previously reported in governmental activities to business-type activities (water and sewer) and report missing buildings (\$425,000) and correct an error in depreciation (\$40,456).

Government Wide Statements – Business-Type:	Enterprise Activities
Net Assets Equity as previously reported	\$126,528,021
Adjustments to restate the January 1, 2010 net assets equity for the following:	
Contract payable – written off	979,423
Land – reclassified from governmental activities	402,000
Buildings – missed in prior years	425,000
Equipment – depreciation error	40,456
Net Assets Equity December 31, 2009 as restated	\$128,374,900

CITY OF WEST FARGO

Notes to the Financial Statements - Continued

Water/Sewer Fund (Enterprise):	Water/Sewer Fund
Net Assets Equity as previously reported	\$125,139,113
Adjustments to restate the January 1, 2010 net assets equity for the following:	
Land – reclassified from governmental activities	402,000
Buildings – missed in prior years	425,000
Equipment – depreciation error	40,456
Net Assets Equity December 31, 2009 as restated	\$126,006,569

Health/Sanitation Fund (Enterprise):	Health/Sanitation Fund
Net Assets Equity as previously reported	\$1,388,908
Adjustments to restate the January 1, 2010 net assets equity for contracts payable:	
Contract payable – written off	979,422
Net Assets Equity December 31, 2009 as restated	\$2,368,330

Governmental Activities - Government Wide	Governmental Activities
Net Assets Equity as previously reported	\$53,041,728
Adjustments to restate the January 1, 2010 net assets equity for the following:	
Land – reclassified to enterprise activities	(402,000)
Uncollectible receivable	(979,423)
Net Assets Equity December 31, 2009 as restated	\$51,660,305

Debt Service Fund Balance (Major Fund):	Fund Balances
Debt Service fund balance as previously reported	\$17,860,777
Adjustments to restate the January 1, 2010 fund balance for uncollectible receivable:	
Uncollectible receivable	(979,423)
Fund Balance December 31, 2009 as restated	\$16,881,354

CITY OF WEST FARGO
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,644,691	\$ 4,644,691	\$ 4,599,843	\$ (44,848)
Licenses, Permits & Fees	535,300	535,300	638,519	103,219
Intergovernmental	834,510	834,510	1,004,098	169,588
Fines	202,000	202,000	251,728	49,728
Interest Income	75,000	75,000	66,310	(8,690)
Miscellaneous	57,500	57,500	19,226	(38,274)
Total Revenues	\$ 6,349,001	\$ 6,349,001	\$ 6,579,722	\$ 230,721
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,110,851	\$ 2,110,851	\$ 2,035,746	\$ 75,105
Public Safety	4,046,280	4,046,280	3,841,790	204,490
Highways & Streets	1,283,885	1,283,885	1,303,172	(19,287)
Economic Development	110,925	110,925	106,338	4,587
Capital Outlay	50,000	50,000	27,844	22,156
Total Expenditures	\$ 7,601,941	\$ 7,601,941	\$ 7,314,890	\$ 287,051
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,252,940)	\$ (1,252,940)	\$ (735,168)	\$ 517,772
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,080,000	\$ 1,080,000	\$ 2,052,805	\$ 972,805
Transfers Out	(33,867)	(33,867)	(110,670)	(76,803)
Total Other Financing Sources and Uses	1,046,133	\$ 1,046,133	\$ 1,942,135	\$ 896,002
Net Changes in Fund Balances	\$ (206,807)	\$ (206,807)	\$ 1,206,967	\$ 1,413,774
Fund Balance - January 1	\$ 5,172,152	\$ 5,172,152	\$ 5,172,152	\$ -
Fund Balance - December 31	\$ 4,965,345	\$ 4,965,345	\$ 6,379,119	\$ 1,413,774

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,000,000	\$ 2,000,000	\$ 2,425,653	\$ 425,653
Interest Income	5,000	5,000	60,133	55,133
Total Revenues	<u>\$ 2,005,000</u>	<u>\$ 2,005,000</u>	<u>\$ 2,485,786</u>	<u>\$ 480,786</u>
<u>Expenditures:</u>				
Current:	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,005,000</u>	<u>\$ 2,005,000</u>	<u>\$ 2,485,786</u>	<u>\$ 480,786</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,622,700)	\$ (1,622,700)	\$ (1,622,700)	\$ -
Net Changes in Fund Balances	<u>\$ 382,300</u>	<u>\$ 382,300</u>	<u>\$ 863,086</u>	<u>\$ 480,786</u>
Fund Balance - January 1	<u>\$ 7,235,475</u>	<u>\$ 7,235,475</u>	<u>\$ 7,235,475</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 7,617,775</u>	<u>\$ 7,617,775</u>	<u>\$ 8,098,561</u>	<u>\$ 480,786</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, 2010

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, 2010

	Balance 1-1-10	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-10
General Fund (Major)	\$ 4,030,666.40	\$ 6,568,847.51	\$ 1,286,202.32	\$ -	\$ 54,647.72	\$ 7,287,045.80	\$ 4,544,022.71
General Fund Reserve	1,141,485.93	10,874.77	766,602.87	-	56,022.53	27,844.31	1,835,096.73
Total General Fund	\$ 5,172,152.33	\$ 6,579,722.28	\$ 2,052,805.19	\$ -	\$ 110,670.25	\$ 7,314,890.11	\$ 6,379,119.44
Special Revenue Funds:							
Sales Tax (Major)	\$ 7,235,474.98	\$ 2,485,785.59	\$ -	\$ -	\$ 1,622,700.00	\$ -	\$ 8,098,560.57
Special Revenue Funds (Nonmajor):							
City's Share of Specials	\$ 13,852.13	\$ 88,116.19	\$ -	\$ -	\$ -	\$ 74,230.60	\$ 27,737.72
Park	-	252,564.72	-	-	-	252,564.72	-
Fire Fund	39,781.06	624,891.88	-	-	-	615,393.62	49,279.32
Building Fund	283,947.83	207,360.55	-	-	-	192,839.43	298,468.95
Gaming Funds	87,548.71	10,382.31	-	-	30,000.00	-	67,931.02
E-911	311,432.73	254,696.64	-	-	-	369,490.15	196,639.22
Municipal Highway Fund	230,543.49	858,240.53	-	-	856,202.32	17,646.39	214,935.31
Lodging Tax	70,649.92	27,648.53	-	-	-	27,650.00	70,648.45
Otto Bremer Grant Crisis Training	-	42,000.00	-	-	-	3,925.95	38,074.05
Police Siren Reserve	-	-	3,500.00	-	-	-	3,500.00
Police SWAT Reserve	7,800.00	-	6,900.00	-	-	-	14,700.00
Police Training Reserve	13,595.00	-	8,592.00	-	-	-	22,187.00
General Fund Police Equipment	28,859.76	10.69	32,655.72	-	-	-	61,526.17
City Hall Remodeling	48,971.27	-	-	-	-	10,628.46	38,342.81
Vector Control	(20,167.05)	66,325.95	-	-	-	105,967.70	(59,808.80)
Forestry	10,823.49	89,690.47	-	-	-	82,971.23	17,542.73
Flood Control	158,864.98	136,164.71	-	-	28,172.74	352,786.96	(85,930.01)
D.A.R.E.	4,875.46	12,792.17	3,000.00	-	-	13,816.25	6,851.38
Evidence Police Department	11,979.78	108.04	-	-	-	-	12,087.82
National Night Out (Night to Unite)	4,427.64	2,193.98	-	-	-	3,826.07	2,795.55
Asset Forfeitures	32,385.00	17,622.80	-	-	-	11,295.00	38,712.80
Economic Development	55,983.08	1,422.57	-	-	-	10,000.00	47,405.65
Marcil Job Training Loan	1,832.00	0.00	-	-	-	1,832.00	-
Change Fund	300.00	-	-	-	-	-	300.00
Total Special Revenue Funds (Nonmajor)	\$ 1,398,286.28	\$ 2,692,232.73	\$ 54,647.72	\$ -	\$ 914,375.06	\$ 2,146,864.53	\$ 1,083,927.14
Total Special Revenue Funds	\$ 8,633,761.26	\$ 5,178,018.32	\$ 54,647.72	\$ -	\$ 2,537,075.06	\$ 2,146,864.53	\$ 9,182,487.71
Debt Service Funds (Major):							
2001 B	\$ 270,103.78	\$ 75,818.86	\$ -	\$ -	\$ -	\$ 112,159.75	\$ 233,762.89
2001 C	600.01	-	-	-	600.01	-	-
Sidewalk 2001 - 6037	15,230.82	9,688.65	-	-	-	13,386.00	11,533.47
Sales Tax Revenue Bonds	91,443.19	6,671.87	784,000.00	-	-	769,348.00	112,767.06
2002 A	517.80	-	-	-	517.80	-	-
2002 B	617,637.79	201,043.30	-	-	-	370,035.00	448,646.09
2003 A	1,320,587.43	197,810.45	-	-	-	319,632.75	1,198,765.13
2003 Refunding G.O. Bonds	8,324.76	135,736.56	-	-	-	132,042.50	12,018.82
2003 C Refunding Bonds (to 2009B)	632,855.55	492.24	-	-	633,347.79	-	-
2003 D (to 2009 B)	909,623.47	707.52	-	-	910,330.99	-	-
2003 E	1,284,529.34	562,081.97	-	-	1,839,111.31	7,500.00	-
2004 A	806,576.60	340,511.20	-	-	1,147,087.80	-	-
RIB 2011 B (recall 2004B)	588,150.37	441,588.13	-	-	-	440,784.50	588,954.00
2005 A Refunding Improvement Bonds	1,308,952.45	918,388.13	-	-	-	930,309.50	1,297,031.08
Sidewalk 6040 - 2004	25,335.08	23,508.88	-	-	-	18,037.50	30,806.46
Sidewalk 6043 - 2006	77,554.79	15,061.40	-	-	-	33,048.75	59,567.44
Sidewalk 6042 - 2005	55,950.61	29,297.95	8,857.93	-	-	32,233.50	61,872.99
Sidewalk 6044 - 2007	102,342.74	20,546.72	-	-	-	32,470.25	90,419.21
2008-B RIB	(27,439.14)	273,187.72	126,200.00	-	-	297,537.75	74,410.83
2008-C RIB	196,845.49	872,208.02	-	-	-	791,880.50	277,173.01
2005-B RIB	605,467.87	1,221,733.18	-	-	-	1,128,312.00	698,889.05
2009-A RIB (from 2001/2001c/2002)	1,962,225.83	973,345.81	-	-	-	934,925.00	2,000,646.64
2005-D RIB	596,534.08	680,227.53	-	-	-	642,888.50	633,873.11
2009-B RIB (from 2003C & 2003D)	19,312.68	889,704.22	1,543,678.78	-	-	1,078,473.57	1,374,222.11
2005-C Refunding Bonds	993,901.39	531,319.32	-	-	-	623,396.00	901,824.71
2006 A RIB	172,121.34	709,657.47	250,000.00	-	-	1,018,466.00	113,312.81
2007A RIB	1,540,440.97	795,032.47	-	-	-	1,053,574.00	1,281,899.44
2007B RIB	(165,458.69)	465,169.15	-	-	-	687,064.00	(387,353.54)
2008A RIB (from 2003B)	768,656.68	732,703.24	-	-	-	773,954.00	727,405.92
G.O. Bonds 2009	538.25	1,666.43	338,700.00	-	-	338,773.50	2,131.18

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, 2010

	Balance 1-1-10	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-10
Debt Service Funds (Major): Continued:							
Municipal Bonds 2009 NDPFA	\$ 37,588.72	\$ 63,592.00	\$ 27,000.00	\$ -	\$ -	\$ 34,185.84	\$ 93,994.88
2009-C RIB	272,929.00	166,720.41	-	-	-	239,663.72	199,985.69
2010 A - RIB (refund of 2003E & 2004A)	-	55,602.73	2,983,743.65	5,935,000.00	-	8,427,429.04	546,917.34
2010 B - RIB	-	577,385.65	-	-	524,307.00	36,200.00	16,878.65
Sidewalk Refunding Bonds 2010	-	52,560.50	-	-	44,901.00	9,400.00	(1,740.50)
2001 A	417.75	-	-	-	417.75	-	-
#6034 - Sidewalk 1999	41,614.86	19,855.98	-	-	35,310.09	26,160.75	-
1998-B RIB	675,356.59	219,640.84	-	-	-	319,444.00	575,553.43
2067	838,518.35	384,923.27	-	-	-	-	1,223,441.62
#6039 - Sidewalk 2003	9,342.19	5,626.50	-	-	-	6,012.50	8,956.19
TIF Bonds Sterling Industrial Park	105,787.74	113,870.54	-	-	150,000.00	-	69,658.28
TIF Butler (to 3360 and 4025)	120,335.68	465,117.49	-	-	510,200.00	54,220.04	21,033.13
TIF Titan Machinery (to 3370)	-	848.18	-	-	-	29,798.34	(28,950.16)
Total Debt Service Funds	\$ 16,881,354.21	\$ 13,250,652.48	\$ 6,062,180.36	\$ 5,935,000.00	\$ 5,796,131.54	\$ 21,762,747.05	\$ 14,570,308.46
Capital Projects Funds (Major):							
Capital Improvements	\$ 453,733.87	\$ 6,692.34	\$ 500,000.00	\$ -	\$ -	\$ 441,957.26	\$ 518,468.95
Construction Testing	13,339.66	91.20	-	-	170.90	8,566.24	4,693.72
9th Street/I-94 Interchange	19,795.06	144,586.08	-	-	-	-	164,381.14
Butler Properties	(284,000.00)	-	284,000.00	-	-	-	-
Drain 45 Improvements	-	-	-	-	-	139.32	(139.32)
1138 Charleswood Peninsula	(170.90)	-	170.90	-	-	-	-
1182 Integrity 1st	(56,022.53)	-	56,022.53	-	-	-	-
1188 Christianson's 1st	(247,119.01)	-	-	342,000.00	3,432.64	91,448.35	-
1193 Shadowwood Addition	175,578.97	-	-	-	14,649.66	160,929.31	-
2196 7th Ave.-9th St. E to 17th St. E.	(59,754.84)	-	-	-	-	1,287,130.22	(1,346,885.06)
1201 Shadow Wood 2nd	5,582.43	-	-	-	2,715.03	2,867.40	-
1204 Butler's 4th Phase 3	15,163.77	-	-	-	15,163.77	-	-
1205 Dakota 5th	(5,586.58)	-	7,530.82	-	-	1,944.24	-
1206 Reserve @ Osgood	87,079.85	-	-	-	87,079.85	-	-
1209 Charleswood 25th	105,212.10	-	-	-	102,887.06	2,325.04	-
1210 Twin Meadows/Hersch	34,462.22	-	2,004.24	-	34,342.22	2,124.24	-
1202 - 32nd Ave/Sheyenne-9th Street	7,352.95	-	-	-	3,683.72	3,669.23	-
1207 Main Ave. 2nd Segment	(2,434,510.94)	-	-	-	-	225,416.74	(2,659,927.68)
1215 Westport Beach-2nd Phase 2	3,128.18	-	-	-	1,257.30	1,870.88	-
1214 N. Central Forcemain Replace.	(625,938.88)	-	-	-	-	1,652,532.21	(2,278,471.09)
1216 Knutson's 1st/Gateway 2nd	(654,445.96)	-	-	1,559,000.00	11,193.04	893,361.00	-
1213 Sanitary Improve. 8th St./2nd Ave.	(86,597.66)	-	-	-	-	1,461,655.69	(1,548,253.35)
1218 Eaglewood	-	-	-	-	-	3,081,180.01	(3,081,180.01)
1151 Charleswood Riv Est 7th (private)	-	-	205.40	-	-	205.40	-
1220 Shadow Wood 2nd Phase 2	-	-	-	-	-	327,532.98	(327,532.98)
1219 - 4th St. E/32nd Ave - 36th Ave	-	-	-	-	-	1,410,654.72	(1,410,654.72)
1221 Shadow Wood 4th	-	-	-	-	-	996.75	(996.75)
1222 Maple Ridge 1st	-	-	-	-	-	3,417,094.75	(3,417,094.75)
1223 The Links at Westport 1st phase 1	-	-	-	-	-	145,283.51	(145,283.51)
1225 South Pond @ the Reserve	-	-	-	-	-	572.00	(572.00)
2195 I94 to 32nd Ave. Phase 1 S. of 94	(4,070,449.35)	-	-	4,223,000.00	-	637,238.65	(484,688.00)
4041 32nd Ave Bridge Replacement	(1,788,703.33)	-	-	-	-	352,311.21	(2,141,014.54)
2201 15th St NW/N of 2nd-4th Ave NW	3,028.22	-	-	-	1,206.34	1,821.88	-
2195 I 94 to 32nd Ave Phase 2 N of 94	(1,219,381.03)	-	-	-	-	161,674.67	(1,381,055.70)
2206 Carmel Place Paving	4,979.89	-	-	-	3,458.27	1,521.62	-
2208 Lodoen Center Parking Lot	(37,771.49)	-	-	-	-	128,170.82	(165,942.31)
2202 Nelson's Acres	83,782.46	-	-	-	15,493.01	68,289.45	-
4046 Section 29 (Houkom) Lift	-	-	-	-	-	544.00	(544.00)
4047 Section 20 Maple Ridge Storm	-	-	-	-	-	28,213.35	(28,213.35)
4042 Section 31 and 6	-	-	-	-	-	430.00	(430.00)
6045 Sidewalk 2008	(343,404.55)	-	1,033.39	425,000.00	4,996.94	77,631.90	-
6045 - Bikepath/Sidewalk 2009 (9th)	(197,870.69)	-	13,846.37	-	-	164,410.91	(348,435.23)
6047 40th Avenue Path 2009	(1,068.16)	-	-	-	-	291,240.80	(292,308.96)
6048 Sidewalks 2010	-	-	1,003.22	100,000.00	3,860.99	97,142.23	-
2157 13th Ave. West	(220,174.84)	-	-	-	-	-	(220,174.84)
2193 32nd Ave. Sheyenne Section 20/29	11,924.66	-	-	-	11,924.66	-	-
4039 Section 29 Water Retention	(732,946.46)	-	-	1,006,000.00	2,230.63	270,822.91	-
4044 Storm Water Section 19	-	-	-	-	-	636.70	(636.70)
Total Capital Projects Funds	\$(12,041,772.91)	\$ 151,369.62	\$ 865,816.87	\$ 7,655,000.00	\$ 319,746.03	\$ 16,903,558.59	\$(20,592,891.04)
Total Governmental Funds	\$ 18,645,494.89	\$ 25,159,762.70	\$ 9,035,450.14	\$ 13,590,000.00	\$ 8,763,622.88	\$ 48,128,060.28	\$ 9,539,024.57

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, 2010

	Balance 1-1-10	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-10
<u>Enterprise Funds:</u>							
Sewer and Water Operating	\$ 2,589,062.86	\$ 4,052,730.96	\$ 250,000.00	\$ -	\$ 300,000.00	\$ 4,106,824.66	\$ 2,484,969.16
City Utility	249,580.71	49,017.09	-	-	250,000.00	-	48,597.80
Sewage Surcharge	279,598.86	8,900.60	-	-	-	-	288,499.46
Water/Sewer 2005 Reserve	742,750.00	-	-	-	-	-	742,750.00
Water/Sewer 2009 Reserve	601,646.26	-	-	-	-	-	601,646.26
South Facilities Hookup	752,053.69	6,359.85	-	-	-	94,248.00	664,165.54
Waste Water Treatment Revenue Bonds	37,789.58	329.08	-	-	-	10,575.00	27,543.66
1185 West Sanitary Lift Station	4,711,430.25	-	-	-	-	228,992.81	4,482,437.44
1208 Water Treatment Plant	(191,546.53)	-	-	-	-	33,543.70	(225,090.23)
Replacement/Depreciation SWOP	30,000.00	-	-	-	-	-	30,000.00
Total Sewer and Water	\$ 9,802,365.68	\$ 4,117,337.58	\$ 250,000.00	\$ -	\$ 550,000.00	\$ 4,474,184.17	\$ 9,145,519.09
Health and Sanitation Operating	\$ 1,199,944.90	\$ 1,843,194.38	\$ -	\$ -	\$ -	\$ 1,794,587.56	\$ 1,248,551.72
Total Enterprise Funds	\$ 11,002,310.58	\$ 5,960,531.96	\$ 250,000.00	\$ -	\$ 550,000.00	\$ 6,268,771.73	\$ 10,394,070.81
<u>Agency Funds:</u>							
Park Sp Assmt 2003-1	\$ -	\$ 8,404.01	\$ -	\$ -	\$ -	\$ 8,404.01	\$ -
Shadowwood Pk Sp.2010	-	3,861.32	-	-	-	3,861.32	-
Park Sp Assmt 2007-1	-	23,480.72	-	-	-	23,480.72	-
Community Dev. Block Grant	1,889.33	17.04	-	-	-	-	1,906.37
Tree Planting	189,579.40	24,145.09	-	-	-	20,715.00	193,009.49
Marvin Windows Escrow Sp Assmts	170,658.00	-	-	-	-	-	170,658.00
Energy Grant	-	18,000.00	-	-	-	-	18,000.00
Total Agency Funds	\$ 362,126.73	\$ 77,908.18	\$ -	\$ -	\$ -	\$ 56,461.05	\$ 383,573.86
Total Primary Government	\$ 30,009,932.20	\$ 31,198,202.84	\$ 9,285,450.14	\$ 13,590,000.00	\$ 9,313,622.88	\$ 54,453,293.06	\$ 20,316,669.24
<u>Component Units:</u>							
<u>Airport:</u>							
Airport Authority	\$ 59,354.98	\$ 165,674.55	\$ -	\$ -	\$ -	\$ 155,395.24	\$ 69,634.29
Airport Authority Bond Construction	57,745.05	524.54	28,172.74	-	-	43,496.74	42,945.59
Total Airport	\$ 117,100.03	\$ 166,199.09	\$ 28,172.74	\$ -	\$ -	\$ 198,891.98	\$ -
<u>Library:</u>							
Library General	\$ 305,646.97	\$ 687,588.74	\$ -	\$ -	\$ -	\$ 654,044.02	\$ 339,191.69
Library Memorials	2,740.52	24.73	-	-	-	-	2,765.25
Total Library	\$ 308,387.49	\$ 687,613.47	\$ -	\$ -	\$ -	\$ 654,044.02	\$ 341,956.94
Total Component Units	\$ 425,487.52	\$ 853,812.56	\$ 28,172.74	\$ -	\$ -	\$ 852,936.00	\$ 454,536.82
Total Reporting Entity	\$ 30,435,419.72	\$ 32,052,015.40	\$ 9,313,622.88	\$ 13,590,000.00	\$ 9,313,622.88	\$ 55,306,229.06	\$ 20,771,206.06

STATE AUDITOR

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

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

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 Council
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 City of West Fargo as of and for the year ended December 31, 2010, which collectively comprise City of West Fargo's basic financial statements and have issued our report thereon dated September 22, 2011. 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

In planning and performing our audit, we considered City of West Fargo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 County's financial statements will not be prevented, or detected and corrected in 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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

This report is intended solely for the information and use of management, the City Council, others within the City, 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

September 22, 2011

CITY OF WEST FARGO
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

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	_____ <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> No
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Section II - Financial Statement Findings

No matters were reported.